

NOVASTAR RESOURCES LTD.
Form S-4
June 14, 2006

As filed with the Securities and Exchange Commission on June 14, 2006

Registration No. 333-

**SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

**FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

NOVASTAR RESOURCES LTD.
(Exact name of registrant as specified in its charter)

Nevada

1000

91-1975651

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

**(Primary Standard Industrial
Classification Code Number)**

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

Seth Grae

8300 Greensboro Drive, Suite 800
McLean, VA 22102
(703) 287-8743

(Address, including zip code, and telephone number, including area code of registrant's principal executive offices)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effectiveness of this registration statement and the satisfaction or waiver of all other conditions under the merger agreement, dated as of February 14, 2006, described herein.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act of 1933, as amended, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

<i>Title of each class of securities to be registered</i>	<i>Calculation of Registration Fee</i>			<i>Amount of registration fee (2)</i>
	<i>Amount to be registered (1)</i>	<i>Proposed maximum offering price per share</i>	<i>Proposed maximum aggregate offering price</i>	
Common Stock, par value \$0.001 per share	117,249,321	\$0.56	\$65,659,619.76	\$7,025.58
Shares underlying options to be assumed in the transaction	42,666,059	\$0.56	\$23,892,993.04	\$2,556.55
Shares underlying Common Stock Purchase Warrants to be assumed in the transaction	2,725,058	\$0.56	\$1,526,032.48	\$163.29
Total	162,640,438	\$0.56	\$91,078,645.28	\$9,745.42

(1) This registration statement relates to the common stock, par value \$0.001 per share, of the registrant, issuable to holders of common stock, par value \$0.05 per share, of Thorium Power, Inc., and to holders of options and warrants exercisable for the purchase of Thorium Power, Inc. common stock that are being assumed by Novastar Resources Ltd., pursuant to the proposed merger. Pursuant to Rule 416(b), there shall be deemed covered hereby all additional securities resulting from antidilution adjustments, if any, required under the merger agreement.

(2) Estimated pursuant to Rule 457(c) under the Securities Act of 1933 solely for the purpose of computing the amount of the registration fee. The fee for the common stock was based on the average of the closing bid and asked price of the common stock reported on the OTC Bulletin Board on June 9, 2006.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment that specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and-Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not issue the common stock to be issued in connection with the merger described in this prospectus until the registration statement filed with the Securities and Exchange commission, of which this document is a part, is declared effective. This prospectus is not an offer to sell these securities and it is not soliciting offers to buy these securities in any jurisdiction where the offer, solicitation or sale is not permitted or would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. Any representation to the contrary is a criminal offense.

PROSPECTUS

Subject to completion, dated June 14, 2006

NOVASTAR RESOURCES LTD.

**162,640,438 Shares of common stock
\$0.001 par value per share**

Novastar is registering up to 162,640,438 shares of its common stock (including 45,391,117 shares of common stock which are issuable upon the exercise of options and warrants for the purchase of Thorium Power, Inc. common stock that are being assumed by Novastar) for issuance to the stockholders and option and warrant holders of Thorium Power pursuant to the agreement and plan of merger between Novastar, TP Acquisition Corp., Novastar's wholly owned subsidiary, and Thorium Power.

Novastar's common stock is traded on the OTC Bulletin Board under the symbol "NVAS.OB". The last reported bid price of the common stock on June 9, 2006 was \$0.56 per share.

Investing in Novastar's common stock involves a high degree of risk. See "Risk Factors" beginning on page 10 to read about certain risks you should consider before buying shares of Novastar's common stock.

Neither the Securities and Exchange Commission, any state securities commission nor any other regulatory authority, has approved or disapproved any of these securities nor have any of the foregoing authorities passed upon or endorsed the merits of this plan of merger or the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

NOVASTAR IS NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND A PROXY.

Novastar's principal executive offices are located at 8300 Greensboro Drive, Suite 800, McLean, VA 22102. Novastar's telephone number is (703) 287-8743.

The date of this Prospectus is _____, 2006.

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SUMMARY

The following is a summary that highlights information contained in this prospectus. This summary may not contain all of the information that may be important to you and it is qualified in its entirety by the more detailed information appearing elsewhere in this document or that is incorporated by reference or attached as Annexes to this document. Page references are included in parentheses to direct you to a more complete description of the items presented in this summary. You may obtain the information incorporated by reference into this prospectus without charge by following the instructions in the section entitled “Where You Can Find More Information” beginning on page 107f this prospectus. Novastar has supplied all information contained in this prospectus relating to Novastar and TP Acquisition Corp. (“TP Acquisition”) and Thorium Power has supplied all information contained in this prospectus relating to Thorium Power.

THE COMPANIES

Novastar Resources Ltd. and TP Acquisition Corp.

Novastar Resources Ltd.
TP Acquisition Corp.
8300 Greensboro Drive
Suite 800
McLean, VA 22102
(703) 287-8743

Novastar is currently a mineral exploration company. Novastar has mineral leases and claims located in Alabama and North Queensland, Australia. These are exploration stage mineral properties prospective for thorium, platinum and other rare earth minerals.

Novastar’s objective is to become a global supplier of thorium to the nuclear energy industry. To this end, Novastar has acquired, and may acquire, both physical properties and rights to properties that contain monazite deposits. Properties of interest to Novastar contain both monazite stockpiles and in ground concentrations of monazite.

Novastar was incorporated under the laws of the State of Nevada on February 2, 1999. On February 2, 2001, Novastar acquired 100% of the issued and outstanding capital stock of Custom Branded Networks, Inc. (“CBN”), a Delaware corporation, in exchange for 25,000,000 shares of Novastar. Novastar then changed its name to Custom Branded Networks, Inc. on or about May 29, 2001. The business of CBN, the Delaware corporation which was Novastar’s wholly owned subsidiary, was the provision of turnkey private label Internet solutions to businesses and private organizations.

In May of 2003 Novastar began actively looking for other business opportunities that would provide superior economic opportunity, and in January 2005 it retained consultants to assist in the identification of opportunities in the nuclear sector, particularly with respect to thorium fuel and technology. Effective May 10, 2005, Novastar changed its name to Novastar Resources Ltd. During the period from September through December 2005, Novastar entered into three agreements to acquire mining interests in two properties in Alabama and one property in Queensland, Australia. In the same time frame, Novastar began discussions with Thorium Power that led to the merger agreement.

TP Acquisition Corp. is a newly formed Delaware corporation formed solely to effect the merger with Thorium Power and has no business or assets.

Thorium Power, Inc.

Thorium Power, Inc.
8300 Greensboro Drive
Suite 800
McLean, VA 22102
(703) 918-4918

Thorium Power is a Delaware corporation that was incorporated on January 8, 1992. Thorium Power has patented proprietary nuclear fuel designs for use in certain existing commercial nuclear power plants. Its designs are for fuels that will serve

- the market for U.S. and Russian weapons grade plutonium disposition;
- the market for disposition of plutonium in spent nuclear fuel; and
- the market for commercial nuclear fuel.

The above designs require additional developmental work to be used in reactors, and Thorium Power plans to fully develop and commercialize these fuel designs with the cooperation of U.S. and foreign governments and other nuclear businesses.

Thorium Power has built a project structure that includes access to several hundred nuclear scientists and engineers at several nuclear research institutes and fuel fabrication plants in Russia that are developing and testing the fuel designs.

Once the fuels are further developed and tested, Thorium Power plans to license its intellectual property rights to fuel fabricators, nuclear generators, and governments for use in commercial light water nuclear reactors, or sell the technology to a major nuclear company or government contractor or some combination of the two.

Thorium Power intends to offer fuel designs that will provide for effective and safe disposition of weapons-and reactor-grade plutonium in existing nuclear power plants at a lower cost than competing technologies. Thorium Power is working with the United States government and Russian nuclear institutes to effectuate the utilization of these fuel designs. From 1995 to 1999, Thorium Power's collaborative research and development project with the Kurchatov Institute in Russia received three U.S. government matching grants totaling \$1.45 million from the U.S. Department of Energy's Initiatives for Proliferation Prevention program. Furthermore, U.S. Congress provided a \$4 million appropriation for fiscal year 2004 for the Kurchatov Institute to evaluate and test the thorium/weapons-grade plutonium disposition fuel technology for application in the Russian plutonium disposition program. Thorium Power intends to seek further funding support for the project from the U.S. government.

Thorium Power's thorium/uranium nuclear fuel is designed to replace traditional uranium fuels currently used in commercial nuclear power plants worldwide and Thorium Power plans to adapt its fuel designs for next generation reactors, such as a high-temperature helium-cooled reactors and small light waters reactors.

THE MERGER

(See page 36)

On February 14, 2006, Novastar, its wholly owned subsidiary, TP Acquisition, and Thorium Power entered into a merger agreement, which was amended on June 12, 2006, pursuant to which TP Acquisition will merge with and into Thorium Power, with Thorium Power, the surviving corporation, becoming a wholly owned subsidiary of Novastar. The merger is subject to various conditions and rights of termination described in this document and the merger agreement. We have attached a copy of the merger agreement as Annex A to this prospectus. We encourage you to read carefully the merger agreement in its entirety because it is the legal document that governs the merger.

Reasons For The Merger

(See page 30)

The Thorium Power board of directors determined that the merger is fair to, and in the best interests of, Thorium Power and its stockholders and has approved the merger agreement and the merger based on a number of factors, including, without limitation, the following:

- o improved access to capital markets;
- o complementary business development plans relating to the promotion of thorium as a fuel for nuclear reactors;
- o Novastar's rights to certain exploration stage properties in Queensland, Australia that may contain thorium deposits and Novastar's rights to certain properties in Alabama that may contain thorium deposits, other rare earth minerals and platinum group metals;
 - o the ability to use registered securities to make future acquisitions of assets or businesses;
 - o increased visibility in the financial community;
 - o improved transparency of operations; and
 - o perceived credibility and enhanced corporate image of being a publicly traded company.

The Novastar board of directors determined that the merger is fair to, and in the best interests of, Novastar and its stockholders and has approved the merger agreement and the merger based on a number of factors, including, without limitation, the following:

- o Thorium Power’s promising technology, business model and prospects for growth and expansion;
- o the anticipated increase in Novastar stock value as a result of the merger; and
- o the integration resulting from the combination of Novastar’s properties that are prospective for thorium and the need of Thorium Power’s prospective customers to utilize thorium as a raw material for Thorium Power’s nuclear fuel designs.

Merger Consideration and Treatment of Thorium Power Stock Options and Warrants
(See page 36)

Upon consummation of the merger, each share of outstanding Thorium Power common stock (except shares as to which appraisal rights have been properly perfected and shares held by Novastar) shall be converted into the right to receive 25.454 shares of Novastar common stock.

Upon consummation of the merger, each holder of non-compensatory options or warrants of Thorium Power that have an exercise price of \$5.00 or \$1.00 will receive from Novastar the number of shares of Novastar common stock for each Thorium Power share underlying such option or warrant as set forth below:

Exercise Price	Number of shares
\$1.00	22.750
\$5.00	11.936

Upon consummation of the merger, all investment warrants of Thorium Power that have an exercise price of more than \$5.00, and all compensatory options (regardless of exercise price) will become securities exercisable for such number of shares of Novastar common stock as the holder of such securities would have received had such holder converted such securities into Thorium Power common stock immediately prior to the closing of the merger.

For a full description of the merger consideration, see “The Merger Agreement - Merger Consideration” beginning on page 36.

Conditions to the Merger
(See page 43)

The merger will not be completed unless a number of contractual or legal conditions are either satisfied or waived by Thorium Power or Novastar. Examples of those conditions include the accuracy of the representations and warranties and the performance of the covenants and agreements of the parties under the merger agreement and applicable regulatory and third party approvals and the absence of governmental or legal action to block the merger.

In addition to these standard conditions, Novastar and Thorium Power will complete the merger only if the following additional conditions are satisfied or waived:

- o the registration statement of which this prospectus is a part becomes effective;
- o the board of directors of Novastar shall have (i) approved the merger agreement and the merger; (ii) amended and restated Novastar's bylaws; and (iii) amended Novastar's certificate of incorporation to (A) increase the number of authorized shares of Novastar common stock to 500,000,000 and (B) change the name of Novastar to "Thorium Power Ltd." and (iii) make other changes as may be mutually agreed upon by the parties;
- o Novastar shall have obtained the written consent of the holders of a majority in interest of the Novastar common stock to the amendments to the certificate of incorporation of Novastar described above;
 - o Seth Grae and Andrey Mushakov shall have entered into employment agreements with Novastar;
- o the total number of shares of Thorium Power's common stock held by dissenting stockholders shall not exceed 10% of the outstanding shares of Thorium Power's common stock;
 - o requisite approval of the merger by the Thorium Power stockholders and board of directors;
 - o receipt of releases from certain persons as the parties may reasonably request; and
- o the parties shall have completed their respective due diligence review to their respective satisfaction.

A number of these conditions have already been satisfied.

Covenants Included In the Merger Agreement (See page 42)

The parties to the merger agreement agreed to take certain actions prior the closing, including, without limitation, the following:

- o the parties will give prompt written notice to each other of any material adverse development causing a breach of any of their representations and warranties;
- o Novastar will prepare and file with the SEC a registration statement and any amendment or supplement thereto relating to the merger and a separate registration statement relating to securities to be issued in the merger to affiliates of Novastar or Thorium prior to the merger and shares issued in connection with private placements prior to the merger;

- o Novastar will furnish to Thorium Power all of its filings to be made with the SEC and all materials to be mailed to Novastar's stockholders and will solicit comments from Thorium Power;
- o the parties will operate only in the ordinary and usual course of business consistent with past practice and will use reasonable commercial efforts to preserve their respective business. In addition, Novastar has agreed not issue any securities to its employees, consultants, advisors or others in consideration for services rendered or to be rendered without the prior written consent of Thorium Power;
- o prior to issuing any public announcement or statement with respect to the merger, the parties will, subject to their respective legal obligations, consult with each other and will allow each other to review the contents of any such public announcement or statement and any such filing;
- o Thorium Power will use commercially reasonable efforts to cause the holders of its options and warrants that have an exercise price at \$5.00 or less to exchange such securities for Novastar common stock pursuant to the merger agreement;
 - o Novastar will appoint Seth Grae as its Chief Executive Officer and President;
 - o the parties have agreed not to solicit the submission of merger proposals from any third parties;
- o on or before March 31, 2006, Novastar will use commercially reasonable efforts to raise at least \$2,750,000 in an equity financing transaction and will invest at least \$1,200,000 of such funds in Thorium Power for Thorium Power Common Stock at a price per share of \$4.00; and
- o Novastar will use commercially reasonable efforts to amend certain mining contracts to which Novastar is a party, such that the only remedy for a breach of obligations by Novastar thereunder is termination of such contracts.

A number of the foregoing covenants have already been satisfied.

Alternative Proposals and Superior Proposals
(See page 45)

Novastar, TP Acquisition Corp. and Thorium Power are prohibited under the merger agreement from soliciting acquisition proposals, including proposals from third parties to acquire all or a majority of their capital stock or ten percent or more of their business or assets regardless of how the transaction might be structured. These proposals are referred to in the merger agreement as “Alternative Proposals”. If one of the parties to the merger agreement receives an unsolicited Alternative Proposal, however, that party may enter into discussions or negotiations with respect to that Alternative Proposal and provide information to the party making the unsolicited Alternative Proposal if:

- o the board of directors of the receiving party determines in good faith, after receiving the advice of its outside legal counsel, that action is required in order for the board of directors of the party to act in a manner consistent with its fiduciary duties under applicable law,
- o the board of directors of the party concludes in good faith, in consultation with its financial advisors, that the Alternative Proposal constitutes a Superior Proposal, and
 - o the party receives from the person making the proposal a suitable confidentiality agreement.

The merger agreement defines “Superior Proposal” as an Alternative Proposal which the board of directors of a party to the merger agreement determines in good faith and after consultation with its financial advisor and after receiving the advice of its outside legal counsel to be more favorable to that party’s stockholders from a financial point of view than the merger and which is reasonably likely to be financed and otherwise completed without any undue delay.

A party that receives an unsolicited Alternative Proposal must communicate to the other parties in writing the identity of the person making an Alternative Proposal and the terms and conditions of the Alternative Proposal. The party receiving the Alternative Proposal must also keep the other parties informed about the status of any actions, including any discussions, taken with respect to an Alternative Proposal or any amendments or modifications to it.

In response to the receipt of an unsolicited written Alternative Proposal, if a party has complied with the requirements of the merger agreement and the board of directors of the party

- o determines in good faith that the Alternative Proposal is a Superior Proposal (and continues to constitute a Superior Proposal after taking into account any modifications proposed by the other parties), and
- o after receiving the advice of its outside counsel has concluded in good faith that action is required in order for the board of directors of the party receiving the Alternative Proposal to act in a manner consistent with its fiduciary duties under applicable law,

then, the board of directors of the party that received the Alternative Proposal may approve and recommend the Superior Proposal and, in connection with the Superior Proposal, withdraw or modify its approval or recommendation of the merger agreement.

Termination of the Merger Agreement
(See page 46)

The agreement and plan of merger may be terminated at any time prior to the closing:

- o by the mutual written consent of the Parties;
 - o by Novastar or TP Acquisition Corp.,
- o upon written notice to Thorium Power that any of the conditions have not been fulfilled or waived on or prior to October 31, 2006,
- o if there has been a breach by Thorium Power of any representation, warranty or covenant made by it in the merger agreement which has prevented the satisfaction of any condition to the obligations of Novastar and/or TP Acquisition Corp. to effect the closing and such breach has not been cured by Thorium Power or waived by Novastar and TP Acquisition Corp. within 20 business days after all other conditions to closing have been satisfied or are capable of being satisfied,
- o if an Alternative Proposal relating to Thorium Power has not been rejected within thirty (30) days after receipt of such a proposal by Thorium Power, or
- o if Novastar and/or TP Acquisition Corp. have complied with the provisions of the merger agreement relating to Superior Proposals.
 - o by Thorium Power;
- o upon written notice to Novastar and TP Acquisition Corp. that any of the conditions have not been fulfilled or waived on or prior to October 31, 2006,
- o if there has been a breach by Novastar or TP Acquisition Corp. of any representation, warranty or covenant made by it in the merger agreement which has prevented the satisfaction of any condition to the obligations of Thorium Power to effect the closing and such breach has not been cured by Novastar and/or Acquisition Sub or waived by Thorium Power within 20 business days after all other conditions to closing have been satisfied or are capable of being satisfied,
- o if an Alternative Proposal relating to Novastar and/or Acquisition Sub has not been rejected within thirty (30) days after receipt thereof by Novastar and/or Acquisition Sub, or
 - o if Thorium Power has complied with the provisions of the merger agreement relating to a Superior Proposal.
- o By any party to the merger agreement if a governmental authority issues an order, decree or ruling or takes any other action permanently restraining, enjoining or otherwise prohibiting the merger and such order, decree, ruling or other action shall have become final and nonappealable.

If the merger agreement is terminated by a party as a result of that party's acceptance of a Superior Proposal in accordance with the merger agreement, or as a result of a party not rejecting an alternative proposal within 30 days of receipt of such alternative proposal, then such party shall be obligated to pay a termination fee of \$500,000.

Risk Factors
(See page 10)

In evaluating the merger agreement and the merger, you should carefully read this prospectus and especially consider the factors discussed in the section entitled “Risk Factors” beginning on page 10.

REGULATORY REQUIREMENTS

Material United States Federal Income Tax Consequences
(See page 47)

For federal income tax purposes, the merger will be treated as a “reorganization” under Section 368(a) of the Internal Revenue Code of 1986, as amended (the “Code”). As a result, you generally will not recognize any gain or loss on the conversion of your Thorium Power stock or non-compensatory options or warrants into shares of Novastar stock in the merger for federal income tax purposes. However, you generally will recognize gain to the extent you receive any cash in exchange for your Thorium Power stock.

This summary applies only to United States holders of Thorium Power stock, options and warrants, and is subject to the assumptions and limitations set out in “The Merger Agreement--Material United States Federal Income Tax Consequences,” which should be read for a more detailed discussion. Tax matters are complicated, and the tax consequences of the merger may vary among shareholders. We urge you to contact your own tax advisor for assistance in understanding fully how the merger will affect you.

Dissenters’ Rights
(See page 51)

Thorium Power stockholders who did not consent to the merger will have dissenters’ rights. See pages 51.

Comparison of Rights of Security Holders
(See page 99)

When the merger is completed, Thorium Power stockholders will become holders of shares of Novastar common stock. After that time, their rights will be governed by Nevada corporation laws, Novastar’s articles of incorporation and Novastar’s bylaws. The material differences between the rights of Thorium Power stockholders and their rights as Novastar stockholders are described, beginning on page 99.

RISK FACTORS

The following factors should be considered together with the other information included in this prospectus, including the Annexes. Any of the following risks could materially adversely affect the business, operating results and financial condition of Thorium Power and Novastar. You should consider these factors in conjunction with the other information contained in this prospectus and the Annexes.

RISK FACTORS RELATING TO THE MERGER

AVAILABILITY OF ADDITIONAL SHARES OF NOVASTAR COMMON STOCK UPON THE CONSUMMATION OF THE MERGER COULD DEPRESS THE PRICE OF NOVASTAR COMMON STOCK.

As of May 30, 2006, Novastar had 154,508,776 shares outstanding, which includes 36,659,837 shares that were issued by Novastar in private placement transactions after the merger agreement was signed. In connection with the merger, Novastar will issue approximately 117,249,321 shares of its common stock. Therefore, immediately following the merger there will be a total of 271,938,097 shares outstanding. Novastar is registering the shares to be issued in the merger under this registration statement and it will be registering the shares issued in the above mentioned private placements under a separate registration statement along with the shares to be issued in the merger to affiliates of Novastar or Thorium prior to the merger. The Novastar stock issued in the merger and to the private placement investors will be available for trading in the public market. The additional shares in the market may cause the price of Novastar common stock to decline. Also, if Novastar's stockholders sell substantial numbers of shares of Novastar common stock in the public market following consummation of the merger, including shares issued on the exercise of outstanding options and warrants, the market price of Novastar common stock could fall. These sales might also make it more difficult for Novastar to sell equity or equity related securities at a time and price that Novastar would deem appropriate. All of the shares of Novastar common stock issued to Thorium Power stockholders in the merger will be freely tradable without restrictions or further registration under the Securities Act of 1933, as amended (the "Securities Act"), unless the shares of common stock are held by an "affiliate" of Novastar or Thorium Power prior to the merger, as that term is defined under the Securities Act.

THE RIGHTS OF THORIUM POWER STOCKHOLDERS WILL DIFFER FROM THEIR RIGHTS AS NOVASTAR SECURITY HOLDERS, WHICH COULD PROVIDE LESS PROTECTION TO THE THORIUM POWER STOCKHOLDERS FOLLOWING THE MERGER.

Upon the consummation of the merger, Thorium Power stockholders will become holders of Novastar common stock. Material differences exist between the rights of Thorium Power stockholders under Thorium Power's charter documents, bylaws, and Delaware law and the rights of Novastar common stockholders under Novastar's charter documents, bylaws and Nevada law, which could provide less protection to Thorium Power stockholders and give more discretion to the officers and directors of Novastar.

FAILURE TO COMPLETE THE MERGER COULD ADVERSELY AFFECT THE BUSINESS, RESULTS OF OPERATIONS AND FINANCIAL CONDITION OF NOVASTAR AND THORIUM POWER.

The completion of the merger is subject to numerous conditions. Novastar cannot guarantee that the merger will be completed. If the merger is not completed for any reason, Novastar and Thorium Power may be subject to a number of material risks.

One significant risk of the failure to complete the merger would be the affect of such failure on Thorium Power's ability to raise capital. In May 2006, Novastar raised in excess of \$15 million primarily from institutional investors that are interested in investing in companies that engage in the nuclear power industry, like Thorium Power. Novastar and Thorium Power believe that many of these investors invested in Novastar because it is a public company, they believed that the merger would proceed and that the combined company would primarily engage in the business of nuclear fuel development. If the merger does not close, Thorium Power believes that it will be very difficult to access capital from this same group of investors, since it is not a public company with publicly traded stock, and that the failure of the merger to close might also deter other investors from investing in Thorium Power.

Other risks that might materialize if the parties fail to consummate the merger, include the following:

- o potential partners may refrain from entering into agreements with Novastar or Thorium Power;
- o employee turnover may increase; and
- o Thorium Power, and to a lesser extent, Novastar, may require additional capital, which may not be available on terms attractive to Thorium Power and Novastar, as applicable, or at all.

The occurrence of any of these factors could result in serious harm to the business, results of operation and financial condition of Novastar or Thorium Power or both.

NOVASTAR AND THORIUM POWER AGREED TO ENTER INTO THE AGREEMENT AND PLAN OF MERGER PURSUANT TO CERTAIN ASSESSMENTS, WHICH ARE INEXACT AND UNCERTAIN.

Novastar and Thorium Power each entered into the Agreement and Plan of Merger based on an assessment of the other company's resource base, exploration potential, intellectual property rights, operating costs, potential markets for designs and products, potential environmental and other liabilities and other factors beyond the control of either Novastar or Thorium Power. These assessments are necessarily inexact and their accuracy inherently uncertain. Such a review may not have revealed all existing or potential problems, nor did it necessarily permit them to become sufficiently familiar with the properties of the other to fully assess their merits and deficiencies. If consummated, the merger could change the nature of the operations and business of both Thorium Power and Novastar due to the character of the properties owned by both companies. Therefore, the merger may not be successfully implemented and may not achieve desired objectives.

THE INTEGRATION OF THE NOVASTAR AND THORIUM POWER BUSINESSES MAY BE COSTLY AND THE FAILURE OF MANAGEMENT TO SUCCESSFULLY EFFECT THE INTEGRATION MAY ADVERSELY AFFECT NOVASTAR'S BUSINESS, RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

Novastar's ability to realize some of the anticipated benefits of the merger will depend in part on Novastar's ability to integrate Thorium Power's operations into Novastar's current operations in a timely and efficient manner. The integration process may require significant efforts from each company. The integration process may distract Novastar management's attention from the day-to-day business of the combined company. If Novastar is unable to successfully integrate the operations of the two companies or if this integration process is delayed or costs more than expected, Novastar's business, operating results and financial condition may be negatively impacted.

AS CERTAIN INDIVIDUALS ARE OFFICERS AND/OR DIRECTORS OF EACH OF THORIUM POWER AND NOVASTAR, CONFLICTS OF INTEREST ARE INHERENT.

Seth Grae is currently the CEO of both Thorium Power and Novastar and he is also a director of both companies and Thomas Graham, Jr. is a director of both companies, the Chairman of Novastar and the interim Secretary of Novastar. In accordance with his employment agreement with Novastar, Mr. Grae receives a portion of his total cash compensation (equal to \$275,000 per year plus bonus, in the aggregate) from both Novastar and Thorium Power and equity compensation and other benefits from both companies, for services provided to these companies. Mr. Grae and Ambassador Graham each have fiduciary duties to both Thorium Power and Novastar and their respective stockholders. The fact that they are officers and/or directors of both parties to the merger agreement creates a conflict of interest. The transactions contemplated by the merger agreement have not been consummated yet and situations will likely arise where Mr. Grae and Ambassador Graham will have to make decisions that benefit one party and are a detriment to the other, such as in the interpretation of the merger agreement. For example, Mr. Grae and Ambassador Graham could be called upon to interpret provisions in the merger agreement relating to the determination of the merger consideration to be paid to the Thorium Power security holders.

THE TIME OF INDIVIDUALS PARTICIPATING IN THE MANAGEMENT OF BOTH COMPANIES WILL BE STRETCHED THIN PENDING COMPLETION OF THE MERGER, AND THE SUBSTANTIAL EXPENSES ASSOCIATED WITH THE MERGER COULD ADVERSELY AFFECT THE FINANCIAL RESULTS OF NOVASTAR AND THORIUM POWER.

Management of both Novastar and Thorium Power will spend a significant amount of their business time on matters relating to the merger, including, the preparation of this registration statement, integration issues, and other matters that are customary in mergers of this type. In addition, Seth Grae and Thomas Graham, Jr., who are officers and/or directors of both parties to the merger, will be required to participate in the management of the businesses of both companies pending the merger in addition to devoting their own time and other management resources to action required to complete the merger. At the same time, they must ensure that Novastar is properly administered as a public company, including the compliance with SEC reporting obligations and other requirements. There can be no assurances that the resources of Novastar are adequate to ensure that the business of Novastar and Thorium Power is not neglected as a result of these competing demands.

Novastar and Thorium Power have and will incur substantial costs in connection with the merger. These costs primarily relate to the costs associated with the fees of attorneys, accountants and other advisors. If the merger is not completed, Novastar and Thorium Power will have incurred significant costs for which they will have received little or no benefit.

RISK FACTORS RELATING TO NOVASTAR

NOVASTAR CONTINUES TO EXPERIENCE SIGNIFICANT OPERATING LOSSES.

Novastar adopted a new business model in mid-2005 to pursue the exploration of thorium and other rare earth minerals and development opportunities, and has a limited operating history in its current form. Since it reorganized its business, its operating costs have exceeded its revenue in each quarter. Novastar incurred cumulative net losses of approximately \$10,899,554 from June 30, 2005 through, March 31, 2006, and anticipates a net loss of at least \$13,000,000 through 2006. Novastar may not be able to obtain or maintain any level of revenues. If Novastar is unsuccessful in these efforts, it may never achieve profitability.

NOVASTAR'S LIMITED OPERATING HISTORY MAKES IT DIFFICULT FOR YOU TO JUDGE ITS PROSPECTS.

Novastar is an exploration stage company that has a limited operating history upon which an evaluation of Novastar, its current business and its prospects can be based. You should consider any purchase of Novastar's shares in light of the risks, expenses and problems frequently encountered by all companies in the early stages of corporate development.

NOVASTAR'S LIQUIDITY AND CAPITAL RESOURCES ARE UNCERTAIN.

For the twelve month period ending June 30, 2005, Novastar had an operating loss of \$2,691,516. At June 30, 2005, Novastar had a working capital deficit of \$224,178. During the period from July 1, 2005 through June 12, 2006, Novastar raised approximately \$17,500,000 in private placement transactions. While management expects these proceeds will meet Novastar's foreseeable needs for at least the next 12 months, Novastar may need to raise additional capital by way of an offering of equity securities, an offering of debt securities, or by obtaining financing through a bank or other entity. If Novastar needs to obtain additional financing, that financing may not be available or Novastar may not be able to obtain that financing on terms acceptable to it. If additional funds are raised through the issuance of equity securities, there may be a significant dilution in the value of Novastar's outstanding common stock.

MINERAL EXPLORATION AND DEVELOPMENT ACTIVITIES ARE SPECULATIVE IN NATURE.

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in quantity and quality to return a profit from extraction. The marketability of minerals acquired or discovered by Novastar may be affected by numerous factors which are beyond the control of Novastar and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection, the combination of which factors may result in Novastar not receiving an adequate return on investment capital.

Substantial expenditures are required to establish mineral reserves through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities and grades to justify commercial operations or that funds required for development can be obtained on a timely basis. Estimates of reserves, mineral deposits and production costs can also be affected by such factors as environmental permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grade of ore ultimately mined may differ from that indicated by drilling results. Short term factors relating to reserves, such as the need for orderly development of ore bodies or the processing of new or different grades, may also have an adverse effect on mining operations and on the results of operations. Material changes in ore reserves, grades, stripping ratios or recovery rates may affect the economic viability of any project.

NOVASTAR IS AN EXPLORATION STAGE COMPANY, AND THERE IS NO ASSURANCE THAT A COMMERCIALY VIABLE DEPOSIT OR "RESERVE" EXISTS ON ANY PROPERTIES FOR WHICH NOVASTAR HAS, OR MIGHT OBTAIN, AN INTEREST.

Novastar is an exploration stage company and cannot be certain that a commercially viable deposit, or "reserve," exists on any properties for which Novastar currently has or may have an interest. Therefore, determination of the existence of a reserve depends on appropriate and sufficient exploration work and the evaluation of legal, economic, and environmental factors. If Novastar fails to find a commercially viable deposit on any of its properties, its financial condition and results of operations will be materially adversely affected.

Any potential development and production of Novastar's exploration properties depends upon the results of exploration programs and/or feasibility studies and the recommendations of duly qualified engineers and geologists. Such programs require substantial additional funds. Any decision to further expand Novastar's operations on these exploration properties is anticipated to involve consideration and evaluation of several significant factors including, but not limited to:

- o costs of bringing each property into production, including exploration work, preparation of production feasibility studies and construction of production facilities;

- o availability and costs of financing;
- o ongoing costs of production;
- o market prices for the minerals to be produced;
- o environmental compliance regulations and restraints; and
- o political climate and/or governmental regulation and control.

NOVASTAR'S BUSINESS AND FINANCIAL CONDITION ARE SUBJECT TO THE RISKS APPLICABLE TO MINING COMPANIES GENERALLY

Factors beyond the control of Novastar may affect the marketability of any substances discovered from any resource properties Novastar may acquire. Metal prices have fluctuated widely in recent years. Government regulations relating to price, royalties, allowable production and importing and exporting of minerals can adversely affect Novastar. There can be no certainty that Novastar will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and operations on any projects it may acquire and environmental concerns about mining in general continue to be a significant challenge for all mining companies.

NOVASTAR WILL BE SUBJECT TO OPERATING HAZARDS, COMPETITION AND DOWNWARD PRICE FLUCTUATION WHICH MAY ADVERSELY AFFECT NOVASTAR'S FINANCIAL CONDITION.

Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Novastar's operations will be subject to all the hazards and risks normally incidental to exploration, development and production of metallic minerals, such as unusual or unexpected formations, cave-ins or pollution, all of which could result in work stoppages, damage to property and possible environmental damage. Novastar does not have general liability insurance covering its operations. Payment of any liabilities as a result could have a material adverse effect upon Novastar's financial condition.

Significant and increasing competition exists for the limited number of mineral acquisition opportunities available. As a result of this competition, some of which is with large established mining companies with substantial capabilities and greater financial and technical resources than Novastar, Novastar may be unable to acquire attractive mineral properties on terms it considers acceptable.

Novastar has no control over the fluctuations in the prices of the thorium and other rare earth minerals that it is exploring for. A significant decline in such prices would severely reduce the value of Novastar.

NOVASTAR'S ACTIVITIES WILL BE SUBJECT TO ENVIRONMENTAL AND OTHER INDUSTRY REGULATIONS WHICH COULD HAVE AN ADVERSE EFFECT ON THE FINANCIAL CONDITION OF NOVASTAR.

Novastar's activities are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards and enforcement, fines and penalties for non-compliance are more stringent. In addition to existing laws, there can be new federal, state, or local laws banning, restricting, or taxing mining activities planned by the Novastar.

Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations could have an adverse effect on the financial condition of Novastar.

The operations of Novastar, including exploration and development activities and commencement of production on its properties require permits from various federal, state, provincial and local governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development and operation of mines and related facilities generally experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

NOVASTAR WILL RELY ON SETH GRAE AND CERTAIN OTHER KEY INDIVIDUALS AND THE LOSS OF MR. GRAE OR ANY OF THESE OTHER KEY INDIVIDUALS WOULD HAVE AN ADVERSE EFFECT ON NOVASTAR.

Novastar's success will depend upon Seth Grae and certain other key members of the management team. Mr. Grae's knowledge of the nuclear power industry, his network of key contacts within that industry and in government and, in particular, his expertise in the potential use of thorium as a fuel in nuclear reactors, is critical to the implementation of the prospective business model of the combined company. Mr. Grae and these other individuals are a significant factor in Novastar's future growth and success. The loss of the service of Mr. Grae or these other key members of the management team would have a material adverse effect on Novastar. Novastar does not have key man insurance policies relating to Seth Grae or any other key individuals and does not anticipate obtaining any such insurance.

RISK FACTORS RELATING TO THORIUM POWER

THORIUM POWER CONTINUES TO EXPERIENCE SIGNIFICANT OPERATING LOSSES

Thorium Power has never realized significant revenues or realized an operating profit. Since its formation, its operating costs have exceeded its revenue in each quarter. Thorium Power incurred a net loss of approximately \$332,000 for the quarter ended March 31, 2006, and anticipates a net loss of at least \$1,500,000 through the end of 2006; Novastar and Thorium Power anticipate a combined net loss of approximately \$14,500,000 through December 31, 2006. The combined company may not be able to obtain or maintain any level of revenues. If the combined company is unsuccessful in these efforts, it may never achieve profitability.

THORIUM POWER'S LIMITED OPERATING HISTORY MAKES IT DIFFICULT FOR YOU TO JUDGE ITS PROSPECTS.

Thorium Power is a developmental stage company. Its fuel design patents and technology have never been reduced to practice and it has not received any royalty or sales revenue. You should consider any purchase of Novastar's shares in light of the risks, expenses and problems frequently encountered by all companies in the early stages of corporate development.

THORIUM POWER'S LIQUIDITY AND CAPITAL RESOURCES ARE UNCERTAIN.

For the twelve month period ending December 31, 2005, Thorium Power had an operating loss of \$760,504. At December 31, 2005, Thorium Power had a working capital deficit of \$982,278. During the period from July 1, 2005 through May 31, 2006, Novastar raised approximately \$17,500,000 in private placement transactions. While management expects that these proceeds will be sufficient to meet the needs of the combined companies for at least the next 12 months, the combined company may need to raise additional capital by way of an offering of equity securities, an offering of debt securities, or by obtaining financing through a bank or other entity. If the combined company needs to obtain additional financing, such financing may not be available or the combined company may not be able to obtain that financing on terms acceptable to it. If additional funds are raised through the issuance of equity securities, there may be a significant dilution in the value of the combined company's outstanding common stock.

THORIUM POWER'S FUEL DESIGNS HAVE NEVER BEEN TESTED IN AN EXISTING COMMERCIAL REACTOR AND ACTUAL FUEL PERFORMANCE, AS WELL AS THE WILLINGNESS OF COMMERCIAL REACTOR OPERATORS AND FUEL FABRICATORS TO ADOPT A NEW FUEL DESIGN, IS UNCERTAIN.

Nuclear power research and development entails significant technological risk. New designs must be fabricated, tested and licensed before market opportunities will exist. Thorium Power's fuel designs are still in the research and development stage and while irradiation testing in a test reactor in Russia (which mimics the operating characteristics of an actual commercial reactor) and thermal-hydraulic experiments have been ongoing for several years, the fuel technology is yet to be tested in an existing commercial reactor. Thorium Power will not be certain about the ability of the fuel it designs to perform in actual commercial reactors until it is able to commercialize its fuel designs. It will also have to establish a relationship with a fuel fabricator to actually produce fuel using its designs. If the Thorium Power fuel designs do not perform as anticipated in commercial use, Thorium Power will not realize revenues from the licensing or other use of its fuel designs. In addition, there are several technical challenges involved in commercializing thorium based fuels. Some of the technical challenges with Thorium Power's technology identified by the experts at the Kurchatov Institute, Westinghouse, and International Atomic Energy Agency, include:

- o Fuel fabrication: The relatively high melting point of thorium oxide will require fuel pellet manufacturing techniques that are different from those currently used for uranium pellets.
- o Fuel fabrication: Thorium Power's fuel rod designs are greater than 3 meters long compared to conventional Russian fuel rods that are 1 meter long. The longer rods will required new equipment and experience making longer extrusions.
- o Fuel design: Thorium Power's "seed-and-blanket" fuel assembly design has a detachable central part which is not in conventional fuel designs.
- o Fuel design: Thorium Power's fuel design includes plutonium-zirconium fuel rods which will operate in a soluble boron environment . Current reactor operating experience is with uranium-zirconium fuel in a boron-free environment.
- o Fuel use: Thorium Power's fuel is expected to be capable of producing more gigawatt days per ton of fuel than is allowed by current reactor licenses, so to gain full economic benefits, reactor operators will have to get regulatory approval.
- o Fuel use: Thorium Power's fuel are expected to produce energy economically for up to 9 years in the reactor core. Current fuel demonstrates the cladding can remain corrosion-free for up to 5 years. Testing is needed to prove corrosion resistance for the longer residence time.
- o Fuel reprocessing: The IAEA has identified a number of ways that reprocessing spent thorium fuel will require technologies different from existing uranium fuel reprocessing. Management's current marketing plans do not assume or depend on the ability to reprocess and recycle spent fuel. Management expects spent thorium fuel will go into long term storage. This is current U.S. Government policy.

THORIUM POWER'S FUEL DESIGNS DIFFER FROM FUELS CURRENTLY LICENSED AND USED BY COMMERCIAL NUCLEAR POWER PLANTS. AS A RESULT, THE LICENSING AND APPROVAL PROCESS FOR THORIUM POWER'S FUELS MAY BE DELAYED AND MADE MORE COSTLY, AND INDUSTRY ACCEPTANCE OF THORIUM POWER'S FUELS MAY BE HAMPERED.

Thorium Power's fuel designs differ significantly in some aspects from the fuel licensed and used today by commercial nuclear power plants. Some of the differences between Thorium Power's fuels and those currently used include:

- o use of thorium instead of only uranium,
- o higher uranium enrichment level,
- o seed-and blanket fuel assembly design integrating thorium and uranium,
- o high burn-up levels of uranium,
- o use of metallic seed rods,
- o longer residence time of the blanket in the reactor, and
- o the ability of Thorium Power's fuels to dispose of reactor-grade plutonium and/or weapons-grade plutonium through the use of a new fuel design and in reactors that have never used plutonium-bearing fresh fuels.

These differences will likely result in more prolonged and extensive review by the U.S. Nuclear Regulatory Commission and other nuclear licensing authorities and customers. Also, the nuclear industry may be hesitant to switch to another fuel with little or no history of successful commercial use because of the need for additional engineering and testing with no guarantee of success as well as investor reluctance to invest in a new technology when viable existing technologies are available.

THORIUM POWER'S PLANS TO DEVELOP ITS THORIUM/WEAPONS-GRADE PLUTONIUM DISPOSING FUEL ARE DEPENDENT UPON U.S. GOVERNMENT FUNDING AND SUPPORT. WITHOUT SUCH SUPPORT, THORIUM POWER IS UNLIKELY TO BE ABLE TO SERVE THIS MARKET.

Thorium Power's business model and specifically its thorium/weapons-grade plutonium disposing fuel design is highly dependent upon U.S. and perhaps other government funding and acceptance as a technology appropriate to eliminate U.S. and Russian stockpiles of surplus weapons-grade plutonium. Management believes that participation in this multi-billion dollar market is a critical element in its business modeling. In the past, Thorium Power has faced resistance from some offices within the U.S. Department of Energy (DOE) that support other alternative plutonium disposing technology, particularly mixed plutonium uranium oxide (MOX) fuel designs. Thorium Power has spent a significant amount of funds to gain commercial and market acceptance for its fuel designs. Over the last two years Thorium Power has spent approximately \$400,000, in the aggregate, including both cash and the fair market value of equity compensation, on third party service providers in connection with these lobbying efforts. Thorium Power expects to spend significantly more money per year than it has in the past over the next three years on these efforts to gain acceptance. These efforts may not result in funding for Thorium Power or government acceptance of Thorium Power's technologies for plutonium disposition or other government-funded projects.

THORIUM POWER DOES NOT HAVE RIGHTS TO ALL OF THE DESIGNS, PROCESSES AND METHODOLOGIES THAT ARE USED OR MAY BE USED OR USEFUL IN ITS BUSINESS IN THE FUTURE. IF THORIUM POWER IS UNABLE TO OBTAIN SUCH RIGHTS ON REASONABLE TERMS IN THE FUTURE, THORIUM POWER'S ABILITY TO EXPLOIT ITS INTELLECTUAL PROPERTY MAY BE LIMITED.

Dr. Alvin Radkowsky invented the thorium fuel technology that Thorium Power is developing. Upon founding Thorium Power in 1992, Dr. Radkowsky assigned all of his rights in the intellectual property relating to such fuel designs to Thorium Power. Thorium Power then filed patent applications in the United States and other countries and the patents were issued and are held solely by Thorium Power. Thorium Power is currently conducting fuel assembly design work in Russia through Russian Research Centre Kurchatov Institute, an independent contractor that is closely affiliated with the government of the Russian Federation. Thorium Power does not have any licensing or other rights to acquire or utilize certain designs, methodologies or processes required for fuel assemblies. If Thorium Power desires to utilize such processes or methodologies in the future, it must obtain a license or other right to use such technologies from the Kurchatov Institute or other entities that subcontract to the Kurchatov Institute. If Thorium Power is unable to obtain such a license or other right on terms that it deems to be reasonable, then Thorium Power may not be able to fully exploit its intellectual property and may be hindered in the sale of its products and services.

THORIUM POWER RELIES UPON SETH GRAE AND THE LOSS OF MR. GRAE WOULD HAVE AN ADVERSE EFFECT ON THORIUM POWER.

Thorium Power's success depends upon Seth Grae. Mr. Grae's knowledge of the nuclear power industry, his network of key contacts within that industry and in government and, in particular, his expertise in the potential markets for the company's technologies, is critical to the implementation of Thorium Power's business model. Mr. Grae is likely to be a significant factor in Thorium Power's future growth and success. The loss of the service of Mr. Grae would have a material adverse effect on Thorium Power. Thorium Power does not have key man insurance policies relating to Seth Grae or any other key individuals and does not anticipate obtaining any such insurance.

THE PRICE OF FOSSIL FUELS OR URANIUM MAY FALL, WHICH WOULD REDUCE THE INTEREST IN THORIUM FUEL BY REDUCING ECONOMIC ADVANTAGES OF UTILIZING THORIUM BASED FUELS AND ADVERSELY AFFECT THE MARKET PROSPECTS FOR THORIUM POWER'S FUEL DESIGNS.

Coal, uranium and crude oil prices are currently at very high levels. Management believes the high cost of these fuels has resulted in increased interest in other sources of energy such as thorium. If prices of traditional energy sources fall, then the demand that the company expects for thorium based fuels may not materialize. A decrease in demand for thorium based fuels would negatively affect Thorium Power's future operating results.

THORIUM POWER'S RESEARCH OPERATIONS ARE CONDUCTED PRIMARILY IN RUSSIA, MAKING THEM SUBJECT TO POLITICAL UNCERTAINTIES RELATING TO RUSSIA AND U.S.-RUSSIA RELATIONS.

Substantially all of Thorium Power's present research activities are in Russia. Thorium Power's research operations are subject to various political risks and uncertainties inherent in the country of Russia. If U.S.-Russia relations deteriorate, the Russian government may decide to scale back or even cease completely its cooperation with the United States on various international projects, including in the plutonium disposition program and nuclear power technology development programs. If this happened, Thorium Power's research and development program in Russia could be scaled back or shut down, which could have a significant adverse impact on Thorium Power's ability to execute its business model. Furthermore, the Russian institutes engaged in the Thorium Power project are highly regulated and, in many instances, are controlled by the Russian government. The Russian government could decide that the nuclear scientists engaged in Thorium Power's project in Russia or testing facilities employed in this project should be redirected to other high priority national projects in the nuclear sector which could lead to delays or have some other significant adverse impact on Thorium Power's project.

THORIUM POWER SERVES THE NUCLEAR POWER INDUSTRY, WHICH IS HIGHLY REGULATED.

The nuclear power industry is a highly regulated industry. Thorium Power intends to license its fuel designs to nuclear fuel fabricators, who would, in turn, sell the thorium-based nuclear fuel that is produced using Thorium Power's intellectual property to nuclear generating companies. All nuclear companies are subject to the jurisdiction of the United States Nuclear Regulatory Commission, or its foreign equivalents, with respect to the operation of nuclear reactors, fuel cycle facilities and handling of nuclear materials and technologies. The U.S. Nuclear Regulatory Commission, and its foreign equivalents, subject nuclear facilities to continuing review and regulation covering, among other things, operations, maintenance, emergency planning, security and environmental and radiological aspects of those facilities. These nuclear regulatory bodies may modify, suspend or revoke operating licenses and impose civil penalties for failure to comply with applicable laws and regulations such as the Atomic Energy Act, the regulations under such Act or the terms of such licenses. Possession and use of nuclear materials, including thorium-based nuclear fuel, would require the approval of the United States Nuclear Regulatory Commission or its counterparts around the world and would be subject to monitoring by international agencies.

PUBLIC OPPOSITION TO NUCLEAR POWER COULD INCREASE.

Successful execution of Thorium Power's business model is dependent upon public support for nuclear power in the United States and other countries. Nuclear power faces strong opposition from certain competitive fuels, individuals and organizations. The occurrence of another major, Chernobyl-like, nuclear accident could have a significant adverse effect on public opinion about nuclear power and the favorable regulatory climate needed to introduce new nuclear technologies. Strong public opposition could hinder the construction of new nuclear power plants and lead to an early shut-down of the existing nuclear power plants. Furthermore, nuclear fuel fabrication and the use of new nuclear fuels in reactors must be licensed by the United States Nuclear Regulatory Commission and equivalent foreign governmental authorities. The licensing process includes public hearings in which opponents of the use of nuclear power might be able to cause the issuance of required licenses to be delayed or denied. In fact, since the Chernobyl nuclear accident, no new nuclear power plant has been built and opened in the United States.

MODIFICATIONS TO EXISTING NUCLEAR FUEL CYCLE INFRASTRUCTURE AS WELL AS REACTORS MAY PROVE TOO EXTENSIVE OR COSTLY.

The existing nuclear fuel cycle infrastructure is predominantly based on low-enrichment uranium oxide fuels. Introduction of thorium based fuel designs, which require relatively higher enriched uranium or plutonium as a source of reactivity, into the existing nuclear fuel cycle supply chain would necessitate certain changes to procedures, processes and equipment used by existing nuclear fuel fabrication facilities and nuclear fuel transportation companies. In addition, Thorium Power's nuclear fuel designs rely on fabrication technologies that may be different from the fabrication techniques presently utilized by existing fuel fabricators. In particular, Thorium Power's metallic seed rods must be produced using a co-extrusion fabrication process that was developed in Russia. Presently, most commercial nuclear fuel is produced using a pellet fabrication technology, whereby uranium oxide is packed into small pellets that are stacked and sealed inside metallic tubes. The co-extrusion fabrication technology involves extrusion of a single-piece solid fuel rod from a metallic matrix containing uranium or plutonium seed fuel. While the co-extrusion fabrication process has been successfully used in Russia for decades to produce one-meter long metallic nuclear fuel rods used in nuclear reactors that propel Russian icebreakers, it must be upgraded and tested to demonstrate its ability to produce longer metallic rods (approximately 3.5-meters long for Russian VVER reactors) so that Thorium Power's seed fuel can be consistent with the standard length of fuel rods used in existing commercial reactors. Full-size metallic fuel rods have not yet been produced using this fabrication process, and there are no guarantees that this new fabrication technology will be successful.

Deployment of Thorium Power's nuclear fuel designs into existing commercial reactors may require modifications to existing equipment, refueling and fuel handling procedures, and other processes utilized at existing nuclear power plants. The costs of such modifications are difficult to ascertain. While one of Thorium Power's goals is to make its fuel designs as compatible as possible with the design of existing commercial reactors in order to minimize the extent and cost of modifications that may be required, Thorium Power may not be able to achieve compatibility sufficient to reduce the extent and costs of required modifications enough to make its design economical for reactor operations.

THORIUM POWER'S NUCLEAR FUEL PROCESS IS DEPENDENT ON OUTSIDE SUPPLIERS OF NUCLEAR AND OTHER MATERIALS.

Production of fuel assemblies using Thorium Power's nuclear fuel designs is dependent on the ability of fuel fabricators to obtain supplies of thorium oxide for the "blanket" component of its fuel assembly design. Fabricators will also need to obtain metal for components, particularly zirconium. These materials are regulated and can be difficult to obtain or may have unfavorable pricing terms. The inability of fabricators to obtain these materials could have a material adverse effect on their ability to market fuel based on Thorium Power's technology.

THORIUM POWER MAY BE UNABLE TO PROTECT ITS INTELLECTUAL PROPERTY, PARTICULARLY IN LIGHT OF RUSSIAN INTELLECTUAL PROPERTY LAWS.

Intellectual property rights are evolving in Russia, trending towards international norms, but are by no means fully developed. Thorium Power works closely with the Kurchatov Institute in Russia to develop some of its intellectual property and so some of its intellectual property rights derive, or are affected by, Russian intellectual property laws. If the application of these laws to Thorium Power's intellectual property rights proves inadequate, then it may not be able to fully avail itself of its intellectual property and its business model may therefore be impeded.

RISKS RELATED TO THE OWNERSHIP OF NOVASTAR STOCK

THERE MAY BE VOLATILITY IN THE NOVASTAR STOCK PRICE, WHICH COULD NEGATIVELY AFFECT INVESTMENTS, AND STOCKHOLDERS MAY NOT BE ABLE TO RESELL THEIR SHARES AT OR ABOVE THE VALUE THEY RECEIVE IN THE MERGER.

The market price of Novastar's common stock may fluctuate significantly in response to a number of factors, some of which are beyond its control, including:

- o quarterly variations in operating results;
- o changes in financial estimates by securities analysts;
- o changes in market valuations of other similar companies;
- o announcements by Novastar or its competitors of new products or of significant technical innovations, contracts, receipt of (or failure to obtain) government funding or support, acquisitions, strategic partnerships or joint ventures;
- o additions or departures of key personnel;
- o any deviations in net sales or in losses from levels expected by securities analysts or any reduction in political support from levels expected by securities analysts;
- o future sales of common stock; and
- o results of analyses of mining and resources assets.

In addition, the stock market has recently experienced extreme volatility that has often been unrelated to the performance of particular companies. These market fluctuations may cause the Novastar stock price to fall regardless of its performance.

BECAUSE THE NOVASTAR SECURITIES TRADE ON THE OTC BULLETIN BOARD, THE ABILITY TO SELL SHARES IN THE SECONDARY MARKET MAY BE LIMITED.

The shares of Novastar common stock have been listed and principally quoted on the NASD OTC Bulletin Board. Because Novastar securities currently trade on the OTC Bulletin Board, they are subject to the rules promulgated under the Securities Exchange Act of 1934, as amended, which impose additional sales practice requirements on broker-dealers that sell securities governed by these rules to persons other than established customers and “accredited investors” (generally, individuals with a net worth in excess of \$1,000,000 or annual individual income exceeding \$200,000 or \$300,000 jointly with their spouses). For such transactions, the broker-dealer must determine whether persons that are not established customers or accredited investors qualify under the rule for purchasing such securities and must receive that person’s written consent to the transaction prior to sale. Consequently, these rules may adversely effect the ability of purchasers to sell Novastar securities and otherwise affect the trading market in Novastar securities.

Because Novastar shares are deemed “penny stocks,” there may be difficulty selling them in the secondary trading market. The Securities and Exchange Commission has adopted regulations, which generally define a “penny stock” to be any equity security that has a market price (as defined in the regulations) less than \$5.00 per share or with an exercise price of less than \$5.00 per share, subject to certain exceptions. As Novastar common stock falls within the definition of penny stock, these regulations require the delivery, prior to any transaction involving Novastar common stock, of a risk disclosure schedule explaining the penny stock market and the risks associated with it. Disclosure is also required to be made about compensation payable to both the broker-dealer and the registered representative and current quotations for the securities. In addition, monthly statements are required to be sent disclosing recent price information for the penny stocks. The ability of broker/dealers to sell Novastar common stock and the ability of stockholders to sell Novastar common stock in the secondary market would be limited. As a result, the market liquidity for Novastar common stock would be severely and adversely affected.

A LARGE NUMBER OF SHARES WILL BE ELIGIBLE FOR FUTURE SALE AND MAY DEPRESS NOVASTAR’S STOCK PRICE.

Novastar shares that are eligible for future sale may have an adverse effect on the price of the Novastar stock. As of May 30, 2006, there were 154,508,776 shares of Novastar common stock outstanding. As of June 12, 2006, about 75 million shares of Novastar common stock were freely tradable without substantial restriction or the requirement of future registration under the Securities Act. The remainder of the Novastar outstanding shares, most of which are held by Novastar’s officers, directors and greater than 5% stockholders, may be sold without registration under the exemption from registration provided by Rule 144 under the Securities Act. In addition, as of March 31, 2006, an additional 10,992,498 shares were subject to outstanding options or warrants.

Sales of substantial amounts of common stock, or a perception that such sales could occur, and the existence of options or warrants to purchase shares of common stock at prices that may be below the then current market price of the common stock, could adversely affect the market price of the Novastar common stock and could impair Novastar’s ability to raise capital through the sale of its equity securities.

NOVASTAR WILL NOT HAVE CUMULATIVE VOTING AND A SMALL NUMBER OF EXISTING STOCKHOLDERS CONTROL NOVASTAR, WHICH COULD LIMIT YOUR ABILITY TO INFLUENCE THE OUTCOME OF STOCKHOLDER VOTES.

Novastar stockholders do not have the right to cumulative voting in the election of Novastar directors. Cumulative voting, in some cases, could allow a minority group to elect at least one director to the Novastar board. Because there is no provision for cumulative voting, a minority group will not be able to elect any directors. Accordingly, the holders of a majority of the shares of common stock will be able to elect all of the members of the Novastar board of directors.

Novastar executive officers and directors, together with a small number of large stockholders will hold a majority of Novastar's outstanding common stock. Similarly, Thorium Power officers and directors as a group together with a small number of large stockholders own a majority of Thorium Power's outstanding common stock. As a result, these entities and individuals will be able to control the outcome of stockholder votes, including votes concerning the election of directors, the adoption or amendment of provisions in the Novastar charter or bylaws and the approval of mergers and other significant corporate transactions.

WE DO NOT EXPECT TO DECLARE DIVIDENDS IN THE FORESEEABLE FUTURE.

Neither Novastar nor Thorium Power has historically declared or paid any dividends. Novastar does not expect that Novastar will pay dividends in the foreseeable future. Rather, Novastar plans to reinvest earnings in mining and nuclear fuel development.

COMPARATIVE HISTORICAL AND PRO FORMA PER SHARE DATA

The following table sets forth the historical per share data of Novastar and Thorium Power.

You should read the information below along with Novastar's and Thorium Power's consolidated financial statements included elsewhere in this prospectus.

	NINE MONTHS		
	ENDED MARCH 31, 2006	YEAR ENDED JUNE 30, 2005	YEAR ENDED JUNE 30, 2004
Historical - Novastar:			
Basic income (loss) per share	\$ (0.11)	\$ (\$0.05)	\$ 0.00
Diluted net income (loss) per share	\$ (0.11)	\$ (\$0.05)	\$ 0.00
Book value per share	\$ 0.00	\$ 0.00	\$ (0.02)

	THREE MONTHS		
	ENDED MARCH 31, 2006	YEAR ENDED DECEMBER 31, 2005	YEAR ENDED DECEMBER 31, 2004
Historical - Thorium Power:			
Basic loss per share	\$ (0.09)	\$ (0.23)	\$ (0.30)
Diluted loss per share	\$ (0.09)	\$ (0.23)	\$ (0.30)
Book value per share	\$ 0.12	\$ (0.23)	\$ (0.18)

	PRO FORMA	PRO FORMA	PRO FORMA
	AS OF MARCH 31, 2006	AS OF JUNE 30, 2005	AS OF JUNE 30, 2004
Pro Forma			
Basic and Diluted loss per share:			
Including effect of subsequent stock issuance	\$ (0.02)	\$ (0.01)	\$ 0.00
Excluding effect of subsequent stock issuance	\$ (0.02)	\$ (0.01)	\$ 0.00
Pro Forma Book value per share	\$ 0.06	\$ --	\$ --
Historical book value per share	\$ 0.00	\$ 0.00	\$ 0.00

- (a) For pro forma loss per share, including effect of subsequent stock issuance, Novastar's historical shares of common stock outstanding were increased for the additional 36,659,837 shares issued in the private placement in May 2006 and for the 117,249,321 shares issued to Thorium Power pursuant to the merger agreement.
- (b) For pro forma loss per share, excluding effect of subsequent stock issuance, Novastar's historical shares of common stock outstanding were increased only by the 117,249,321 shares issued to Thorium Power pursuant to the merger agreement specifically excluding the additional shares issued by both companies in the 36,659,837 private placement.

(c) Book Value per share is computed using the adjusted equity of Novastar after the adjustments for subsequent events and elimination adjustments outlined in the unaudited consolidated pro forma balance sheet as of March 31, 2006, submitted with this registration statement.

The historical book value per share is computed by dividing stockholders' equity by the number of shares of common stock outstanding at the end of each period presented.

The merger will be accounted for as a reverse merger, recapitalization of Thorium Power, with Thorium Power treated as the accounting acquirer.

MARKET PRICE AND DIVIDEND INFORMATION

NOVASTAR. Novastar common stock is listed and traded on the OTC Bulletin Board. The following table sets forth the high and low closing per share sales prices of Novastar common stock as reported on the OTC Bulletin Board for the quarterly fiscal periods presented below. The quotations were obtained from the OTC Bulletin Board website and reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

FISCAL YEAR	QUARTER ENDING	HIGH	LOW
2005	December 31, 2005	\$ 0.31	\$ 0.13
	September 30, 2005	\$ 0.30	\$ 0.11
	June 30, 2005	\$ 0.22	\$ 0.077
	March 31, 2005	\$ 0.22	\$ 0.09
2004	December 31, 2004	\$ 0.29	\$ 0.07
	September 30, 2004	\$ 0.04	\$ 0.017
	June 30, 2004	\$ 0.09	\$ 0.025
	March 31, 2004	\$ 0.09	\$ 0.009

On February 13, 2006, the last full trading day before the announcement of the execution of the merger agreement, the closing per share sales price for the Novastar common stock was \$0.80 on the OTC Bulletin Board. On May 26, 2006, the most recent practicable date, the closing per share sales price for the Novastar common stock was \$0.60 on the OTC Bulletin Board. As of May 26, 2006, there were approximately 147 holders of record of Novastar common stock.

THORIUM POWER. Thorium Power common stock is not publicly traded, and market price information is therefore not available.

DIVIDEND INFORMATION

Novastar has never declared or paid cash dividends on its shares of common stock. Novastar anticipates that any earnings will be retained for development and expansion of its business and does not anticipate paying any cash dividends in the near future. Novastar's board of directors has sole discretion to pay cash dividends based on its financial condition, results of operation, capital requirements, contractual obligations and other relevant factors.

Thorium Power has never declared or paid any cash dividends on its common stock and has no intention of paying cash dividends in the foreseeable future.

APPROVAL OF THE MERGER

The following is a description of the material aspects of the merger, including the merger agreement. While Novastar and Thorium Power believe that the following description covers the material terms of the merger, the description may not contain all of the information that is important to you. More detailed information is contained elsewhere in this prospectus, including the annexes. A copy of the merger agreement is set forth in Annex A to this prospectus. Novastar and Thorium Power encourage you to read the merger agreement carefully for a complete description of the terms of the merger.

BACKGROUND OF THE MERGER

Thorium Power was first contacted by Novastar on May 18, 2005, when Sean Mulhearn, the former Secretary of Novastar, telephoned Seth Grae, President and CEO of Thorium Power. Sean Mulhearn had conducted a Google search on “thorium” and had found the Thorium Power web site. Sean Mullhearn asked Seth Grae about the prospective use of thorium in nuclear reactors. Novastar Resources was interested in acquiring mineral rights to properties containing thorium, in the belief that thorium would be used as a nuclear reactor fuel in the future, causing the commodity price of thorium to rise, as had happened with uranium in the past when it began to be used in reactor fuels. Sean Mulhearn was also interested in thorium as a result of having read articles claiming that thorium fuels could result in growth in nuclear power, as thorium fuels could help make reactors safer and more proliferation-resistant while also being used to eliminate existing plutonium stockpiles.

At the time of this first contact by Novastar, Thorium Power was experiencing a liquidity shortfall and was trying to raise the additional capital the company needed to fund its operations. On June 14, 2005, Seth Grae together with Andrey Mushakov, Treasurer & Secretary of Thorium Power, met with Novastar representatives Sean Mulhearn, Strato Malamas, and Seth Shaw at the Thorium Power office in McLean, VA. At the meeting, each party described to the other details about the business and future plans for each company. The discussion included ways in which the two companies’ businesses were complementary, since deployment of Thorium Power’s nuclear fuels could help drive demand for thorium, a raw material to which Novastar intended to acquire mineral rights. At the end of the meeting, Thorium Power and Novastar agreed in principle to cooperate with each other in the area of promoting use of thorium as a nuclear fuel. Soon thereafter, Seth Grae was offered a position on the advisory board of Novastar, to help advise Novastar on how thorium could be used in nuclear reactors so as to help increase demand for the commodity thorium. Seth Grae accepted the position on Novastar’s advisory board on July 14, 2005 and received 1,000,000 restricted shares of Novastar common stock as compensation for acting as a Novastar advisory board member.

The first Thorium Power board of directors meeting in which Novastar was discussed occurred on June 22, 2005. At that meeting, Thorium Power decided to begin conducting due diligence on Novastar. Thereafter, on November 7, 2005, Thorium Power held a board of directors meeting at which Novastar was again discussed. At this meeting, the Thorium Power board of directors focused on a possible business combination with Novastar.

The Thorium Power board of directors then held meetings by conference call on December 15, 2005, December 18, 2005, January 4, 2006, January 24, 2006, and February 11, 2006. At each such meeting the propriety of a business combination with Novastar was discussed. In addition, on June 22, 2005 and April 26, 2006, the board of directors of Thorium Power met in person to discuss the potential business combination with Novastar.

In December 2005, Novastar leased office space in the same office suite in McLean, Virginia, where Thorium Power leases its office space.

On January 10, 2006, Seth Grae, who was then the chief executive officer and a director of Thorium Power and an advisory board member of Novastar, met with Seth Shaw, the Director of Strategic Planning of Novastar, and Alan Gelband, who was acting as Novastar's investment banker. At that meeting Messrs. Grae, Shaw and Gelband negotiated the principal terms of a business combination of Thorium Power and Novastar. Later that day, Mr. Grae and Charles Merchant executed and delivered on behalf of Thorium Power and Novastar, respectively, a non-binding letter of intent relating to the merger.

Thereafter, on February 14, 2006, Novastar, TP Acquisition Corp. and Thorium Power entered into the merger agreement. On June 12, 2006, the parties amended the merger agreement in order to reflect the exact distribution of the merger consideration among the Thorium Power stockholders, option holders and warrant holders.

THORIUM POWER'S REASONS FOR THE MERGER

The Thorium Power board of directors ultimately concluded that the Novastar proposal should be accepted and recommended that the stockholders approve the proposal, and that an exchange ratio that will result in the Thorium Power stockholders (along with option and warrant holders who will receive Novastar common stock at the closing in exchange for such options and warrants) owning approximately 54.5% of the combined company (before the dilution resulting from certain Novastar fundraising activities), in the aggregate, is fair to and in the best interests of Thorium Power and its stockholders. This conclusion was based on a number of factors including, without limitation, the following:

- o Following the merger, the combined company will be a public reporting company. The combined company will be able to use registered securities to effect acquisitions of assets and possibly businesses in the future. Thorium Power being a public company will result in increased visibility in the financial community. Status as a public reporting company will also result in improved transparency of operations and a perceived credibility and enhanced corporate image of being a publicly traded company.
- o Thorium Power's existing stockholders will benefit from holding the publicly traded Novastar shares with an increase in the liquidity of their investments in Thorium Power.
- o Novastar had an existing base of institutional stockholders that were already involved in Novastar and, accordingly, had a reason to support Novastar and the proposed business combination.

- o The Thorium Power board of directors believes that the merger will be viewed favorably by private equity investors and will enhance the combined company's ability to obtain private equity investment, both due to the prospect of a public trading market resulting from the merger and from the credibility and contacts of Novastar and its advisors in the investment community. In fact, following the execution of the merger agreement, Thorium Power received private equity financing in the aggregate amount of approximately \$1,000,000 from investors other than Novastar, some of whom were introduced to Thorium Power by Novastar and its advisors. In addition, since signing the merger agreement, Novastar has raised in excess of \$15 million in financing through private placements of its equity securities. This equity investment allowed Novastar to pay off its outstanding liabilities and still retain capital resources that will be available to the combined company after the merger is closed, and the Thorium Power board of directors believes that such financing would have been very difficult or impossible to obtain had the merger not been contemplated.
- o As part of the transaction, Seth Grae was to become Chief Executive Officer of Novastar, and existing Novastar management would not have a continuing leadership role.
- o The Thorium Power board of directors believes that Novastar's investment in Thorium Power during the period preceding execution of the merger agreement, in an aggregate amount of approximately \$600,000 was a concrete signal of Novastar's commitment to Thorium Power's goals, which would continue to the stockholders following the merger.
- o The board of directors believes that Thorium Power's access to capital markets will be better once Thorium Power is merged with Novastar, a public company.
 - o Merging with a public company may be a more efficient way of becoming publicly traded.
- o Novastar's rights to certain exploration stage properties in Queensland, Australia that may contain thorium deposits and Novastar's rights to certain properties in Alabama that may contain thorium deposits, other rare earth minerals and platinum group metals.

The Thorium Power board of directors approved the merger and the merger agreement based on the foregoing.

NOVASTAR'S REASONS FOR THE MERGER

The Novastar board of directors, which at the time consisted of Charles Merchant and Paul C. Carter, determined, on February 9, 2006, that the merger is fair to and in the best interests of Novastar and its stockholders and recommended that the stockholders approve the proposal, and has approved the merger agreement and the merger based on a number of factors, including, without limitation, the following:

- o Thorium Power has technology that Novastar believes is promising and Novastar believes that Thorium Power's business model is sound and that Thorium Power has good growth and expansion prospects.
- o Novastar believes that the merger of the two companies will create synergies that will benefit the stockholders of the combined company.
- o The Novastar board of directors believes that the merger will be viewed favorably by private equity investors and will enhance the combined company's ability to obtain private equity investment, both due to the prospect of a public trading market resulting from the merger and from the credibility and contacts of Novastar and its advisors in the investment community. Since signing the merger agreement, Novastar has raised in excess of \$15 million in financing through private placements of its equity securities. This equity investment allowed Novastar to pay off its outstanding liabilities and still retain capital resources that will be available to the combined company after the merger is closed, and the Novastar board of directors believes that such financing would have been very difficult or impossible to obtain had the merger not been contemplated.

Effective April 2, 2006, Charles Merchant and Paul C. Carter each resigned from Novastar board of directors, and Seth Grae, Thomas Graham, Jr., and Cornelius J. Milmo each became directors of Novastar.

INTERESTS OF SOME THORIUM POWER OFFICERS AND DIRECTORS IN THE MERGER

Thorium Power stockholders should be aware that certain executive officers and directors of Thorium Power have interests in the merger that may be different from, or in addition to, the interests of Thorium Power stockholders generally. The Thorium Power board of directors was aware of the interests described below and considered them, among other matters, when adopting the merger agreement and recommended that Thorium Power stockholders vote to approve the merger agreement and to approve the merger. These interests are summarized below.

APPOINTMENT OF THORIUM POWER EXECUTIVE OFFICERS BY NOVASTAR

Following the execution of the merger agreement, Seth Grae, the Chief Executive Officer of Thorium Power, entered into an employment agreement with Novastar. Mr. Grae became the Chief Executive Officer and President of Novastar on April 2, 2006, and he became a director of Novastar on April 2, 2006. He has also retained all of his positions with Thorium Power. In addition, on April 2, 2006, Thomas Graham, Jr. became a director of Novastar, and on April 3, 2006 he became the Chairman of the board of directors of Novastar, while remaining a director of Thorium Power. Also, at or prior to the closing of the merger, Andrey Mushakov, the Treasurer and Secretary of Thorium Power will become the Executive Vice President - International Nuclear Operations of Novastar and will continue as an officer of Thorium Power (which will become a wholly owned subsidiary of Novastar at the closing).

COMPENSATION AND EQUITY INTERESTS

On February 14, 2006, at the same time that the merger agreement was entered into among the parties, Novastar and Seth Grae entered into an employment agreement and a stock option agreement. Pursuant to the employment agreement, Novastar has agreed to pay Mr. Grae an annual salary of \$275,000 for performing the duties described in the employment agreement. In addition, Novastar issued to Mr. Grae pursuant to the agreement 5,000,000 shares of restricted stock and granted to Mr. Grae 7,200,000 non-qualified stock options, with a term of ten years at an exercise price of \$0.795 per share. The options vest with respect to 6/48 of the total number of shares granted on August 14, 2006 and vest 1/48 on first day of each month thereafter until all options have vested. The 5,000,000 shares of restricted stock vest immediately on issuance but 2,500,000 may not be directly or indirectly sold, transferred or otherwise disposed of for a period of one year and the remaining 2,500,000 for a period of two years, except for sales, transfers or other dispositions made to family members, for estate planning purposes, or pursuant to a qualified domestic relations order. The shares will also be subject to the provisions of Rule 144 promulgated under the Securities Act. Mr. Grae was named CEO of Novastar on March 17, 2006, though the agreement did not take effect until April 2, 2006, the date that Novastar obtained D&O liability insurance coverage, and the agreement terminates on April 2, 2011 the fifth anniversary of the date of the agreement. Prior to entering into the employment agreement with Novastar, Mr. Grae was on the Novastar advisory board. He had received a total of 1,000,000 shares of Novastar common stock for agreeing to be on Novastar's advisory board. Therefore, Mr. Grae owns a total of 6,000,000 shares of Novastar common stock and he has options to purchase an additional 7,200,000 shares of Novastar's common stock. In addition, Mr. Grae currently owns 254,333 shares of Thorium Power common stock and options to purchase an additional 281,333 shares of Thorium Power common stock at exercise prices ranging from \$1 to \$10. Upon consummation of the merger, these Thorium Power securities will be converted into Novastar securities. Upon consummation of the merger, Mr. Grae will own a total of 14,142,156 shares of Novastar common stock and he will also own the options to purchase an additional 12,494,440 shares of Novastar common stock that are described above.

Thomas Graham, Jr. has been a director of Thorium Power since July 1, 1997 and he became a director of Novastar on April 2, 2006. Ambassador Graham owns a total of 27,500 shares of Thorium Power common stock. Ambassador Graham owns 190,000 shares of Novastar common stock. Upon consummation of the merger, Ambassador Graham will own a total of 1,081,528 shares of Novastar common stock and he will own options to purchase 2,545,404 shares of Novastar common stock.

Andrey Mushakov has been the Treasurer of Thorium Power since April 2002 and Treasurer and Secretary of Thorium Power since July 2003. The merger agreement contains a condition to the closing of the merger that provides that Novastar must enter into an employment agreement with Mr. Mushakov that is reasonably acceptable to Thorium Power. Mr. Mushakov has agreed with Novastar to receive \$5,000 per month in consulting payments, for work performed since February 20, 2006. Novastar expects to enter into an employment agreement with Mr. Mushakov and appoint him to the office of Executive Vice President - International Nuclear Operations at or prior to the closing. Mr. Mushakov owns options to purchase a total of 37,500 shares of Thorium Power common stock. Upon consummation of the merger, Mr. Mushakov will own a total of 954,526 options to purchase shares of Novastar common stock. In addition, it is anticipated that Mr. Mushakov will receive additional equity securities of Novastar pursuant to the employment agreement that he will enter into with Novastar at or prior to the closing of the merger.

INTERESTS OF SOME NOVASTAR OFFICERS AND DIRECTORS IN THE MERGER

As of April 2, 2006, Messrs. Grae and Graham, who are members of the board of directors of Thorium Power, became members of the board of directors of Novastar while retaining their position as members of the board of directors of Thorium Power. In addition, on such date, Cornelius J. Milmoie became a director of Novastar and on April 4, 2006 he became Novastar's Chief Operating Officer. Paul Carter, who was the President, Chief Executive Officer, Chief Financial Officer, Treasurer and a director of the Novastar since 2002 has resigned from all of such positions with Novastar and no longer holds any positions with Novastar. Charles Merchant, who was the Chief Operating Officer and Interim Chief Executive Officer and a director of Novastar has resigned from all of such positions with Novastar and no longer holds any positions with Novastar. Sean Mulhearn, the Secretary of Novastar has resigned from such position effective March 17, 2006 and no longer is an officer of Novastar. Seth Shaw, the Director of Strategic Planning of Novastar, continues to hold such position and will remain in such position following the merger.

For information regarding the interests in the merger of Seth Grae, and Thomas Graham, Jr., who are directors and/or officers of both Novastar and Thorium Power, see the disclosure above under "INTERESTS OF SOME THORIUM POWER OFFICERS AND DIRECTORS IN THE MERGER."

Cornelius J. Milmoie has been a director of Novastar since April 2, 2006 and he became the Chief Operating Officer of Novastar on April 4, 2006. Mr. Milmoie owns a total of 75,000 shares of Novastar common stock, which were issued by the Company upon Mr. Milmoie's employment with the Company. However, 37,500 of these shares may not be directly or indirectly sold, transferred or otherwise disposed of for a period of one year and the remaining 37,500 for a period of two years, except for sales, transfers or other dispositions made to family members, for estate planning purposes, or pursuant to a qualified domestic relations order. The shares will also be subject to the provisions of Rule 144 promulgated under the Securities Act. In connection with his employment with Novastar, Mr. Milmoie is entitled to receive a compensation package that included the following: an annual base salary of \$200,000; a stock option grant to acquire 525,000 shares of Novastar common stock pursuant to the Novastar 2006 Stock Plan; an annual incentive bonus to be determined by the board of directors of Novastar; reimbursement for all reasonable and necessary expenses incurred in connection with Mr. Milmoie's employment with Novastar; and four weeks of paid vacation per year. Mr. Milmoie will also be permitted to participate in all employee benefit plans, policies and practices now or hereafter maintained by or on behalf of Novastar commensurate with Mr. Milmoie's position with Novastar. Upon consummation of the merger, Mr. Milmoie will own a total of 75,000 shares of Novastar common stock and he will own options to purchase 525,000 shares of Novastar common stock.

Larry Goldman became Novastar's Treasurer and Acting Chief Financial Officer on June 13, 2006. Mr. Goldman owns a total of 75,000 restricted shares of Novastar Common Stock, which were issued by Novastar upon Novastar's entry into a consulting agreement with Mr. Goldman. Pursuant to the consulting agreement, Mr. Goldman receives hourly compensation of \$170.00 for services provided to Novastar, subject to a maximum of ten hours per day. The contract includes payment for a minimum of 40 hours per month. The contract can be terminated by Novastar at any time, but Novastar must provide at least 180 days advance written notice. Pursuant to the consulting agreement, Mr. Goldman was granted nonqualified options for the purchase of an additional 350,000 shares of Novastar common stock pursuant to Novastar's 2006 stock plan. Upon consummation of the merger, Mr. Goldman will own a total of 75,000 shares of Novastar common stock and options to purchase a total of 350,000 shares of Novastar common stock.

INDEMNIFICATION AND D&O INSURANCE

Novastar's bylaws provide that its directors and officers will be indemnified to the fullest extent permitted under the laws of Nevada. Pursuant to Nevada General Corporation law, a corporation may indemnify any of its directors and officers if he acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such conduct was unlawful. In addition, Novastar has obtained a Directors and Officers' Insurance Policy with AIG for a coverage limit of \$5 million and excess coverage with Hartford for an additional \$5 million.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the small business issuer pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

VOTES REQUIRED FOR APPROVAL OF THE MERGER

In order for the merger to close, the merger must be approved by holders of a majority of Thorium Power's outstanding shares of voting stock. By written consent dated April 12, 2006 holders of the requisite number of Thorium Power's voting stock approved the merger. No further Thorium Power stockholder action is required to consummate the merger.

The Novastar stockholders are not required to vote on the merger. However, one of the conditions to the merger is that Novastar must amend its certificate of incorporation to increase the number of authorized shares of Novastar common stock to 500,000,000 and change the name of Novastar to "Thorium Power Ltd." Novastar expects to obtain the written consent of the holders of a majority in interest of its common stock, which is required in order to effectuate such charter amendments. Novastar does not anticipate soliciting any proxies for this purpose nor does Novastar expect to have a stockholders meeting relating to the charter amendments. Upon obtaining the requisite written consents, Novastar will distribute an information statement to its stockholders that describes these charter amendments and the related written consent.

THE MERGER AGREEMENT

The following summary describes the material provisions of the merger agreement, as amended. The provisions of the merger agreement are complicated and not easily summarized. This summary may not contain all of the information about the merger agreement that is important to you. The merger agreement is attached to this prospectus as Annex A and is incorporated by reference into this prospectus, and we encourage you to read it carefully in its entirety for a complete understanding of the merger agreement.

GENERAL

On February 14, 2006, Novastar, TP Acquisition Corp. and Thorium Power entered into the merger agreement, which, as amended, provides for the merger of Thorium Power with TP Acquisition Corp., pursuant to which Thorium Power will be the surviving corporation in the merger. After the merger the charter of the surviving corporation will be the certificate of incorporation of TP Acquisition Corp. and the by-laws of the surviving corporation will be those of TP Acquisition Corp.

If the merger is completed, stockholders of Thorium Power will no longer hold any interest in Thorium Power. They will become security holders of Novastar and their rights will be governed by Novastar's articles of incorporation and by-laws and by the laws of Nevada. See "Comparative Rights of Holders of Thorium Power Common Stock and Novastar common stock" for information about the relative rights of Thorium Power and Novastar security holders.

MERGER CONSIDERATION

Upon consummation of the merger, each share of outstanding Thorium Power common stock (except shares as to which appraisal rights have been properly perfected and shares owned by Novastar) shall be converted into the right to receive 25.454 shares of Novastar common stock.

As a result of the merger, the shares of Thorium Power capital stock will no longer be outstanding, will automatically be cancelled and retired and will cease to exist, and each holder of a certificate representing such share immediately prior to the merger will cease to have any rights with respect to such certificate, except the right to receive the shares of the Novastar common stock described above.

Fractional Shares

No fraction of any share of Novastar common stock will be issued to any former holder of Thorium Power capital stock. Each holder of Thorium common stock who would otherwise have been entitled to a fraction equal to one-half or more of a share of Novastar common stock will receive a full share of Novastar common stock, and fractional interests of less than one-half of a share of Novastar common stock will be canceled.

TREATMENT OF THORIUM POWER WARRANTS AND STOCK OPTIONS

Upon consummation of the merger, each holder of non-compensatory options or warrants of Thorium Power that have an exercise price of \$5.00 or \$1.00 will receive from Novastar the number of shares of Novastar common stock for each Thorium Power share underlying such option or warrant as set forth below:

Exercise Price	Number of shares
\$1.00	22.750
\$5.00	11.936

Upon consummation of the merger, all investment warrants of Thorium Power that have an exercise price of more than \$5.00, and all compensatory options (regardless of exercise price) will become securities exercisable for such number of shares of Novastar common stock as the holder of such securities would have received had such holder converted such securities into Thorium Power common stock immediately prior to the closing of the merger.

PROCEDURES FOR EXCHANGE OF STOCK CERTIFICATES

Novastar will enter into an agreement with a bank or trust company who will act as exchange agent for the exchange of the certificates formerly representing shares of Thorium Power common stock for certificates representing shares of the Novastar common stock issued in the merger. At the closing, Novastar will deposit with the exchange agent certificates representing the number of shares of Novastar common stock issuable in the merger. Novastar will cause the Exchange Agent to mail to each Thorium Power stockholder at the time of the merger a letter of transmittal and instructions for exchange of Thorium Power stock certificates for certificates representing shares of Novastar common stock. Upon surrender of a certificate to the exchange agent together with a duly executed letter of transmittal, the holder will be entitled to receive a certificate representing the number of shares of Novastar common stock that the holder has the right to receive in the merger. Until surrendered, each certificate formerly representing Thorium Power common stock will be deemed after the merger to represent ownership of the number of shares of Novastar common stock (and any rights derivative thereof) into which the number of shares of Thorium Power common stock represented thereby have been converted in the merger.

No certificate or scrip representing fractional shares of Novastar common stock will be issued in the merger. Each holder of Certificates who would otherwise have been entitled to a fraction equal to one-half or more of a share of Novastar common stock will receive a full share of Novastar common stock, and fractional interests of less than one-half of a share of Novastar common stock will be canceled.

Until the certificates are surrendered, Thorium Power stockholders will not be entitled to vote on matters submitted to Novastar stockholders, transfer or dispose of the Novastar common stock or receive dividends, if any, declared by Novastar.

DIRECTORS OF NOVASTAR AFTER THE MERGER

Effective April 2, 2006, Charles Merchant and Paul Carter resigned from the board of directors of Novastar and Seth Grae, Cornelius J. Milmoie and Thomas Graham, Jr. were appointed as directors of Novastar. Messers. Grae, Milmoie and Graham are expected to remain as directors following the closing of the merger. The board of directors of Thorium Power will have the same members as the board of directors of Novastar following the closing of the merger

Following is biographical information regarding each of Novastar's directors:

SETH GRAE. Mr. Grae, age 43, was named the Chief Executive Officer and President of Novastar on March 17, 2006, and effective April 2, 2006, became a director of Novastar.

Mr. Grae is the President, the Chief Executive Officer and a director of Thorium Power. Mr. Grae has played an active role in all business activities of Thorium Power since its inception in 1992. Mr. Grae led the efforts that resulted in Thorium Power's project at the Kurchatov Institute becoming one of the first grant recipients from the United States Department of Energy ("DOE") for nuclear non-proliferation-related work in Russia. He is a member of the board of directors of the Bulletin of the Atomic Scientists and has served as co-chair of the American Bar Association's Committee on Arms Control and Disarmament. As a former member of the board of directors of the Lawyers Alliance for World Security, Mr. Grae helped advise on the drafting of nuclear export control regulations in China and Belarus, and he participated in consultations with the government of India on nuclear power and weapons. On a pro bono basis, he represented refuseniks, who were nuclear scientists, in securing exit visas from the Soviet Union. Mr. Grae obtained his B.A. from Brandeis University cum laude, J.D. from American University, LL.M. in International Law with honors from Georgetown University and M.B.A. from Georgetown University. He has been admitted to the bars of New York, Connecticut, and Florida (all now inactive).

THOMAS GRAHAM, JR. Ambassador Graham, age 72, became the Interim Secretary and a director of Novastar on April 2, 2006, and chairman of the board of directors on April 4, 2006.

Ambassador Graham is one of the world's leading experts in nuclear non-proliferation. He is Chairman of the Board of the Cypress Fund for Peace and Security. Ambassador Graham has served as a senior U.S. diplomat involved in the negotiation of every major international arms control and non-proliferation agreement for the past 35 years, including the Strategic Arms Limitations Talks (SALT), Strategic Arms Reduction Talks (START Treaties), Anti-Ballistic Missile (ABM) Treaty, Intermediate Nuclear Forces (INF) Treaty, Nuclear Non-Proliferation Treaty (NPT), Conventional Armed Forces in Europe (CFE) Treaty and Comprehensive Test Ban Treaty (CTBT). In 1993, Ambassador Graham served as the Acting Director of the U.S. Arms Control and Disarmament Agency (ACDA), and for seven months in 1994 served as the Acting Deputy Director. From 1994 through 1997, he served as the Special Representative of the President of the United States for Arms Control, Non-Proliferation and Disarmament, and in this capacity successfully led U.S. government efforts to achieve the permanent extension of the NPT. He also served for 15 years as the general counsel of ACDA. Ambassador Graham worked on the negotiation of the Chemical Weapon Convention and the Biological Weapons Convention. He drafted the implementing legislation for the Biological Weapons Convention and managed the Senate approval of the ratification of the Geneva Protocol banning the use in war of chemical and biological weapons. He is also Chairman of the Board of Mexco Energy Corporation, an oil and gas exploration company listed on the American Stock Exchange (stock ticker symbol MXC). Ambassador Graham received an A.B. in 1955 from Princeton and a J.D. in 1961 from Harvard University. He is a member of the Kentucky, the District of Columbia and the New York Bars and is a member of the Council on Foreign Relations. He chaired the Committee on Arms Control and Disarmament of the American Bar Association from 1986-1994. Ambassador Graham received the Trainor Award for Distinction in Diplomacy from Georgetown University in 1995.

CORNELIUS J. MILMOE. Mr. Milmoe, age 59, became a director of Novastar on April 2, 2006 and he was appointed the Chief Operating Officer of Novastar on April 4, 2006.

Mr. Milmoe served as General Counsel for General Electric's nuclear fuel business that provided nuclear fuel fabrication, software and design services to 50 nuclear reactors in the U.S., Europe, Japan, Mexico and Taiwan. At GE Nuclear Fuel, Mr. Milmoe led legal negotiations for all reactor reload contracts (valued at \$30 to \$300 million each), created a joint venture with Hitachi and Toshiba to build a \$70 million modern fuel processing plant that reduced costs by 30% and environmental effluents by 90%, and created a marketing joint venture with ENUSA that led to GE Nuclear Fuel's first fuel sales at plants in Germany and Finland. Since leaving GE in 2000, Mr. Milmoe has run his own consulting firm that has included GE as a major client, focusing on international energy transactions. Mr. Milmoe formed a project team to recover low enriched uranium for fuel fabrication from uranium concentrates at the Ulba Metallurgical plant in Kazakhstan. The DOE-supported project team included GE, Brookhaven National Laboratory, Massachusetts Institute of Technology, Kazatomprom and RWE Nukem. Mr. Milmoe's other projects include construction of a copper-beryllium alloy processing plant in Kazakhstan, sourcing zirconium components in Russia for Western nuclear power plants and R&D agreements for advanced nuclear technologies. Mr. Milmoe's firm has also received contracts to improve DOE reporting and management of all projects relating to the implementation of President Bush's National Energy Policy and DOE's international energy agreements, particularly science and technology agreements and nuclear non-proliferation agreements. Mr. Milmoe earned his B.A. from Colgate University in 1969 and earned his J.D. from Columbia University Law School and was admitted to the bar in 1974. From 1974 to 1980, Mr. Milmoe served as Staff Attorney and Special Assistant to the New York Public Service Commission. From 1980 to 1994, Mr. Milmoe served as a counsel in the following divisions of General Electric: GE Naval & Small Steam Turbines, GE Aircraft Engines, GE Government Services, GE Automated Systems, GE Aircraft Instruments, GE Armament Systems and GE Silicones.

Neither the board of directors of Thorium Power nor the board of directors of Novastar has established an audit committee, compensation committee or nominating committee, or any committees performing similar functions, and neither has designated an audit committee financial expert. After the merger, all such applicable functions will continue to be handled by the board of directors as a whole.

OFFICERS OF NOVASTAR AFTER THE MERGER

From and after the closing of the merger, the officers of Novastar and Thorium Power (which will then be a wholly owned subsidiary of Novastar) will be identical and will be as follows:

Title	Name	Pre-Merger Affiliation
Chief Executive Officer, President and Director	Seth Grae	Thorium Power
Chief Operating Officer and Director	Cornelius J. Milmo	Novastar
Interim Secretary and Director	Thomas Graham, Jr.	Thorium Power
Executive Vice President - International Nuclear Operations	Andrey Mushakov	Thorium Power
Treasurer and Acting Chief Financial Officer	Larry Goldman	Neither Company

Messrs. Grae and Graham were appointed to their respective offices on March 17, 2006, effective on April 2, 2006. Mr. Milmo was appointed to his office on April 4, 2006 and Mr. Goldman was appointed to his office on June 9, 2006. Mr. Mushakov will be appointed to his office on or before the closing of the merger.

LARRY GOLDMAN. Mr. Goldman became the Treasurer and Acting Chief Financial Officer of Novastar on June 13, 2006.

Mr. Goldman is a certified public accountant with over 20 years of auditing, consulting and technical experience as a partner in a mid-size New York City based accounting firm, working with a wide variety of companies, assisting them in streamlining their operations and increasing profitability. Prior to joining Novastar, Mr. Goldman worked as the Chief Financial Officer, Treasurer and Vice President of Finance of WinWin Gaming, Inc. (OTCBB: WNWN), a multi-media developer and publisher of sports, lottery and other games. Prior to joining WinWin, in October 2004, Mr. Goldman was a partner at Livingston Wachtell & Co., LLP and had been with that firm for the past 19 years. Mr. Goldman is also an independent director and audit committee chairman of Winner Medical Group Inc. (OTCBB: WMDG.OB), a China based manufacturer of medical disposable products and surgical dressings. Mr. Goldman has extensive experience in both auditing and consulting with public companies, and has experience providing accounting and consulting services to the Asian marketplace, having audited several Chinese public companies.

THE MERGER AGREEMENT

Representations, Warranties and Covenants

The merger agreement contains customary representations and warranties of the parties. Novastar's and TP Acquisition's representations and warranties to Thorium Power relate to, among other things:

- o organization, standing, corporate power and similar corporate matters;
- o authorization, execution, deliver and enforceability of the merger agreement;
 - o valid issuance of Novastar common stock;
 - o capital structure;
 - o accuracy of financial statements and other information;
 - o absence of certain adverse changes;
 - o absence of litigation not previously disclosed;
 - o absence of liabilities or claims not previously disclosed;
 - o timely filing of all required tax returns;
 - o delivery of all requested information;
 - o material contracts;
- o whether any brokers were retained in connection with the merger transaction;
 - o status of employees and compliance with labor laws;
- o compliance with the federal securities laws and the accuracy of all information filed with the SEC;
 - o compliance with environmental laws; and
 - o absence of any untrue statement of a material fact.

Thorium Power's representations and warranties to Novastar and TP Acquisition relate to, among other things:

- o organization, standing, corporate power and similar corporate matters;
- o authorization, execution, deliver and enforceability of the merger agreement;
 - o capital structure;

- o accuracy of financial statements and other information;
 - o absence of certain adverse changes;
 - o absence of litigation not previously disclosed;
- o absence of liabilities or claims not previously disclosed;
 - o timely filing of all required tax returns;
 - o delivery of all requested information;
 - o material contracts;
 - o no brokers;
- o status of employees and compliance with labor laws;
 - o compliance with environmental laws; and
- o absence of any untrue statement of a material fact.

None of the representations or warranties in the merger agreement will survive the closing.

Covenants Made By the Parties

The parties to the merger agreement have agreed to take certain actions prior the closing, including, among other things, the following:

- o the parties will use their commercially reasonable efforts to take all action and to do all things necessary, proper, or advisable in order to consummate and make effective the transactions contemplated by the merger agreement;
- o the parties are entitled to have full access to all premises, properties, personnel, books, records (including tax records), contracts, and documents of or pertaining to the other parties;
- o the parties will give prompt written notice to the other parties of any material adverse development causing a breach of any of their representations and warranties;
- o Novastar will prepare and file with the SEC this registration statement on Form S-4 and any amendment or supplement thereto, in addition to a separate registration statement relating to securities to be issued in the merger to affiliates of Novastar or Thorium prior to the merger and shares issued in connection with private placements prior to the merger. The parties have agreed to use their commercially reasonable efforts to have such registration statements declared effective by the SEC as promptly as practicable after the filing. Thorium Power has agreed to cooperate with Novastar in the preparation of these registration statements, which includes, among other things, the delivery to Novastar of such audited financial statements as are required by the rules and regulations of the SEC for inclusion in the registration statement;

- o subject to the terms and conditions of the merger agreement, Thorium Power has agreed to proceed diligently and in good faith to, as promptly as practicable, obtain all required consents, make any other filings with and give any other notices to governmental entities or any other public or private third parties required to consummate the merger;
- o Novastar must furnish to Thorium Power all of their filings to be made with the SEC and all materials to be mailed to Novastar's stockholders and will solicit comments from Thorium Power;
- o the parties will operate only in the ordinary and usual course of business consistent with past practice and will use reasonable commercial efforts to preserve their respective business. In addition, Novastar has agreed not issue any securities to its employees, consultants, advisors or others in consideration for services rendered or to be rendered without the prior written consent of Thorium Power;
- o prior to issuing any public announcement or statement with respect to the merger, the parties will, subject to their respective legal obligations, consult with each other and will allow each other to review the contents of any such public announcement or statement and any such filing;
- o Thorium Power will use commercially reasonable efforts to cause the holders of its options and warrants that have an exercised price at \$5.00 or less to exchange such securities for Novastar common stock pursuant to the merger agreement;
 - o Novastar will appoint Seth Grae as its Chief Executive Officer and President;
 - o the parties have agreed not to solicit the submission of merger proposal from any third parties;
- o on or before March 31, 2006, Novastar will use commercially reasonable efforts to raise at least \$2,750,000 in an equity financing transaction and will invest at least \$1,200,000 of such funds in Thorium Power for Thorium Power Common Stock at a price per share of \$4.00; and
- o Novastar will use commercially reasonable efforts to amend certain contracts to which Novastar is a party, such that the only remedy for a breach of obligations by Novastar thereunder is termination of such contracts.

A number of the foregoing covenants have already been satisfied.

Conditions to the Completion of the Merger

The respective obligations of Thorium Power, Novastar and TP Acquisition to complete the merger are subject to the satisfaction or waiver of various conditions, including normal and customary closing conditions such as:

- o the accuracy of all representations and warranties;
- o the performance and compliance with all covenants, agreements and conditions;
- o the delivery of certificates, documents and legal opinions; and
- o the ability to complete the merger under applicable state laws.

In addition to the foregoing, Thorium Power's and Novastar's obligations to complete the merger are also subject to the satisfaction or waiver of, among other things, the following conditions:

- o this registration statement must become effective and no stop order suspending the effectiveness of this registration statement can be issued or remain in effect;
- o the board of directors of Novastar must approve (i) the merger agreement and the merger; (ii) amended and restated bylaws; and (iii) an amendment to Novastar's Certificate of Incorporation to (a) increase the number of authorized shares of Novastar Common Stock to 500,000,000, (b) change the name of Novastar to "Thorium Power Ltd." and (iii) make other changes as may be mutually agreed upon by the parties;
- o Novastar shall have obtained the written consent of the holders of a majority in interest of the Novastar Common Stock to the amendments to the Certificate of Incorporation of Novastar;
- o all directors of Novastar shall have resigned from their positions as directors and the persons designated by Thorium Power shall comprise the entire board of Novastar. In addition, Novastar shall have filed an information statement that complies with Rule 14f-1 of the Securities Exchange Act of 1934;
 - o Seth Grae and Andrey Mushakov shall have entered into an employment agreement with Novastar;
- o the total number of shares of Thorium Power common stock held by dissenting stockholders shall not exceed 10% of the outstanding shares of its common stock;
- o holders of Thorium Power options and warrants that have an exercise price at \$5.00 or less shall have agreed to exchange their securities for Novastar Common Stock in accordance with the merger agreement;
 - o requisite approval of the merger by Thorium Power's stockholders and board of directors;

- o receipt of releases from certain persons as the parties may reasonably request;
- o absence of any occurrence, event, incident, action, failure to act, or transaction since the date hereof which has had or is reasonably likely to cause a material adverse effect (financial or otherwise) on the business, assets, liabilities, condition, property, prospects or results of operations of the other party; and
- o the parties shall have completed their respective due diligence review of each other.

A number of these conditions have already been satisfied.

Alternative Proposals and Superior Proposals

Novastar, TP Acquisition Corp. and Thorium Power are prohibited under the merger agreement from soliciting acquisition proposals, including proposals from third parties to acquire all or a majority of their capital stock or ten percent or more of their business or assets regardless of how the transaction might be structured. These proposals are referred to in the merger agreement as “Alternative Proposals”. If one of the parties to the merger agreement receives an unsolicited Alternative Proposal, however, that party may enter into discussions or negotiations with respect to that Alternative Proposal and provide information to the party making the unsolicited Alternative Proposal if

- o the board of directors of the receiving party determines in good faith, after receiving the advice of its outside legal counsel, that action is required in order for the board of directors of the party to act in a manner consistent with its fiduciary duties under applicable law,
- o the board of directors of the party concludes in good faith, in consultation with its financial advisors, that the Alternative Proposal constitutes a Superior Proposal, and
- o the party receives from the person making the proposal a suitable confidentiality agreement.

The merger agreement defines “Superior Proposal” as an Alternative Proposal which the board of directors of a party to the merger agreement determines in good faith and after consultation with its financial advisor and after receiving the advice of its outside legal counsel to be more favorable to that party’s stockholders from a financial point of view than the merger and which is reasonably likely to be financed and otherwise completed without any undue delay

A party that receives an unsolicited Alternative Proposal must communicate to the other parties in writing the identity of the person making an Alternative Proposal and the terms and conditions of the Alternative Proposal. The party receiving the Alternative Proposal must also keep the other parties informed about the status of any actions, including any discussions, taken with respect to an Alternative Proposal or any amendments or modifications to it.

In response to the receipt of an unsolicited written Alternative Proposal, if a party has complied with the requirements of the merger agreement and the board of directors of the party

- o determines in good faith that the Alternative Proposal is a Superior Proposal (and continues to constitute a Superior Proposal after taking into account any modifications proposed by the other parties), and
- o after receiving the advice of its outside counsel has concluded in good faith that action is required in order for the board of directors of the party receiving the Alternative Proposal to act in a manner consistent with its fiduciary duties under applicable law,

then, the board of directors of the party that received the Alternative Proposal may approve and recommend the Superior Proposal and, in connection with the Superior Proposal, withdraw or modify its approval or recommendation of the merger agreement.

Termination of the Merger Agreement

The agreement and plan of merger may be terminated at any time prior to the closing:

- o By the mutual written consent of the Parties.
 - o By Novastar or TP Acquisition Corp.,
- o upon written notice to Thorium Power that any of the conditions have not been fulfilled or waived on or prior to October 31, 2006,
- o if there has been a breach by Thorium Power of any representation, warranty or covenant made by it in the merger agreement which has prevented the satisfaction of any condition to the obligations of Novastar and/or TP Acquisition Corp. to effect the closing and such breach has not been cured by Thorium Power or waived by Novastar and TP Acquisition Corp. within 20 business days after all other conditions to closing have been satisfied or are capable of being satisfied,
- o if an Alternative Proposal relating to Thorium Power has not been rejected within thirty (30) days after receipt of such a proposal by Thorium Power, or
- o if Novastar and/or TP Acquisition Corp. have complied with the provisions of the merger agreement relating to Superior Proposals.
 - o By Thorium Power,
- o upon written notice to Novastar and TP Acquisition Corp. that any of the conditions have not been fulfilled or waived on or prior to October 31, 2006,
- o if there has been a breach by Novastar or TP Acquisition Corp. of any representation, warranty or covenant made by it in the merger agreement which has prevented the satisfaction of any condition to the obligations of Thorium Power to effect the closing and such breach has not been cured by Novastar and/or Acquisition Sub or waived by Thorium Power within 20 business days after all other conditions to closing have been satisfied or are capable of being satisfied,

- o if an Alternative Proposal relating to Novastar and/or Acquisition Sub has not been rejected within thirty (30) days after receipt thereof by Novastar and/or Acquisition Sub, or
- o if Thorium Power has complied with the provisions of the merger agreement relating to a Superior Proposal.
- o By any party to the merger agreement if a governmental authority issues an order, decree or ruling or takes any other action permanently restraining, enjoining or otherwise prohibiting the merger and such order, decree, ruling or other action shall have become final and nonappealable.

If the merger agreement is terminated by a party as a result of that party's acceptance of a Superior Proposal in accordance with the merger agreement, or as a result of a party not rejecting an alternative proposal within 30 days of receipt of such alternative proposal, then such party shall be obligated to pay a termination fee of \$500,000.

REGULATORY APPROVALS

No filings are required to be made and no approvals are required to be obtained pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. However, any time before or after the consummation of the merger, the Department of Justice, the Federal Trade Commission, state attorneys general, the antitrust regulatory agencies of various foreign countries or a private person or entity could challenge the merger under antitrust laws and seek, among other things, to enjoin the merger or to cause Novastar to divest itself, in whole or in part, of Thorium Power or other businesses conducted by Novastar. Based on the information available to them, Novastar and Thorium Power believe that the merger will not violate the United States federal or state antitrust laws.

Thorium Power and Novastar conduct operations in a number of jurisdictions where other regulatory filings or approvals may be required or advisable in connection with the completion of the merger. Thorium Power and Novastar are currently in the process of reviewing whether other filings or approvals may be required or desirable in these other jurisdictions. Some of these filings may not be completed prior to closing and some of these approvals, which are not as a matter of practice required to be obtained prior to effectiveness of a merger transaction, may not be obtained prior to closing.

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

In General

The following discussion is a general summary of the U.S. federal income tax considerations in connection with the merger anticipated to be material to a holder of Thorium Power stock, options or warrants, as the case may be, who is a U.S. person (collectively, a “Thorium Power Holder”). Generally, a U.S. person is:

- o an individual citizen or resident of the United States;
- o a corporation (including an entity other than a corporation which is treated as a corporation for U.S. federal income tax purposes), a partnership or a limited liability company, that is created or organized in or under the laws of the United States or any political subdivision thereof;
- o an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- o a trust if, in general, a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or a trust in existence on August 20, 1996 if such trust has elected to continue to be treated as a U.S. person and met certain other requirements.

THE TAX CONSEQUENCES TO THORIUM POWER HOLDERS WHO ARE NOT U.S. PERSONS (INCLUDING INDIVIDUALS WHO WERE U.S. PERSONS IN THE PAST) INVOLVE TAX CONSIDERATIONS THAT ARE BEYOND THE SCOPE OF THIS DISCUSSION. IT IS THEREFORE ADVISED THAT EACH SUCH HOLDER CONSULT ITS TAX ADVISOR TO DETERMINE THE U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE MERGER AND OWNERSHIP OF NOVASTAR STOCK OR SECURITIES APPLICABLE TO SUCH HOLDER.

The discussion herein does not intend to be exhaustive of all possible tax considerations; for example, the discussion does not contain a description of any state, local or foreign tax considerations. In addition, this summary discussion is intended to address only those U.S. federal income tax considerations that are generally applicable to a Thorium Power Holder who holds Thorium Power stock, options or warrants, as the case may be, as a capital asset (within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the “Code”)), and this summary does not discuss all aspects of U.S. federal income taxation that might be relevant to a specific Thorium Power Holder in light of such person’s particular investment or tax circumstances.

In particular, the discussion does not purport to deal with all aspects of taxation that may be relevant to Thorium Power Holders that are subject to special treatment under the U.S. federal income tax laws, including, without limitation, individual retirement and other tax-deferred accounts; banks and other financial institutions; insurance companies; tax-exempt organizations; dealers, brokers or traders in securities or currencies; persons subject to the alternative minimum tax; persons who hold their Thorium Power stock or securities as part of a straddle, hedging, synthetic security, conversion transaction or other integrated investment consisting of Thorium Power or Novastar stock or securities, and one or more other investments; persons whose functional currency is other than the U.S. dollar; persons who received their Thorium Power stock, options or warrants as compensation in connection with the performance of services or on exercise of options received as compensation in connection with the performance of services; persons eligible for tax treaty benefits; and foreign corporations, foreign partnerships, other foreign entities and individuals who are not citizens or residents of the United States.

The information in this discussion is based on the federal income tax laws as of the date of this document, which include:

- o the Code;
- o current, temporary and proposed Treasury regulations promulgated under the Code;
- o the legislative history of the Code;
- o current administrative interpretations and practices of the Internal Revenue Service (the “IRS”), including its practices and policies as expressed in private letter rulings, which are not binding on the IRS except with respect to a taxpayer that receives such a ruling; and
- o court decisions.

There is a risk that future legislation, Treasury regulations, administrative interpretations and/or court decisions may change the current law or adversely affect existing interpretations of the U.S. federal income tax laws. Any change could apply retroactively to transactions preceding the date of the change and neither Novastar nor Thorium Power undertake to inform Thorium Power Holders of any change. In addition, there is a risk that the statements set forth in this summary discussion (which do not bind the IRS or the courts) may be challenged by the IRS and may not be sustained by a court if so challenged.

THE DISCUSSION HEREIN IS NOT INTENDED TO BE, AND SHOULD NOT BE CONSTRUED BY ANY THORIUM POWER HOLDER AS BEING, TAX ADVICE. THEREFORE, EACH THORIUM POWER HOLDER IS URGED TO CONSULT WITH ITS TAX ADVISOR TO DETERMINE THE U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE MERGER AND THE OWNERSHIP OF NOVASTAR STOCK OR SECURITIES, INCLUDING THE PARTICULAR FACTS AND CIRCUMSTANCES THAT MAY BE UNIQUE TO SUCH HOLDER.

United States Federal Income Tax Consequences to Thorium Power Holders

At closing, TP Acquisition Corp. will be merged with and into Thorium Power and Thorium Power Holders (other than holders of Thorium Power options and warrants which will be assumed by Novastar in the merger) will receive shares of Novastar common stock in exchange for their Thorium Power stock, options and warrants as set forth in the merger agreement.

Provided the transactions described herein are completed in accordance with the terms of the merger agreement, the merger will be treated as a reorganization within the meaning of Section 368(a) of the Code. Subject to the limitations and qualifications referred to herein, the merger described in the preceding paragraph should result in the following U.S. federal income tax consequences:

- (1) None of Novastar, TP Acquisition Corp. or Thorium Power will recognize any gain or loss as a result of the merger.
- (2) A Thorium Power Holder will not recognize gain or loss on receipt of shares of Novastar stock at closing in exchange for Thorium Power stock and non-compensatory options or warrants surrendered in the merger.
- (3) The basis of the Novastar stock received by each Thorium Power Holder in the merger will be the same as the basis of the Thorium Power stock and non-compensatory options and warrants surrendered in exchange therefore.
- (4) The holding period for Novastar stock received by each Thorium Power Holder in the merger in exchange for such holder's Thorium Power stock and non-compensatory options or warrants will include such holder's holding period for the Thorium Power stock and non-compensatory options or warrants surrendered in exchange therefore.
- (5) A Thorium Power Holder who (i) perfects their dissenters' rights under applicable law and receives a cash payment for their Thorium Power stock and (ii) does not own any Novastar stock or securities (either actually or constructively within the meaning of Section 318 of the Code) following the receipt of the cash, will generally recognize capital gain or loss measured by the difference between the amount of cash received and the holder's adjusted tax basis in the surrendered Thorium Power stock.

Each Thorium Power Holder will be required to attach a statement to its federal individual income tax return for the taxable year in which the merger takes place. Such statement must contain the information listed in Treasury Regulation section 1.368-3(b). The statement must include, among other things, the holder's adjusted tax basis in the stockholder's Thorium Power stock, options or warrants and the number of shares and the value of the Novastar stock received.

The treatment of the merger for U.S. federal income tax purposes summarized immediately above cannot be guaranteed by either Novastar or Thorium Power and it is possible that the IRS may take a different position. If the IRS were to successfully assert that the merger is not a reorganization within the meaning of Section 368(a) of the Code, each Thorium Power Holder would be required to recognize gain or loss in the year of the closing based on the difference between the fair market value of the Novastar stock or options received by such holder, and the holder's adjusted tax basis in the surrendered Thorium Power stock, options or warrants. In such an event, each Thorium Power Holder's aggregate basis in any Novastar stock or options received (including any Novastar stock held in the Exchange Fund which is constructively received by such holder) would equal the fair market value of the stock or options at the time of receipt and the holding period for the stock or options would begin on the date of receipt.

Under the Code, a Thorium Power Holder in some circumstances may be subject to backup withholding with respect to the amount of cash, if any, received in the merger, unless the holder provides proof of an applicable exemption or a correct taxpayer identification number to Novastar and otherwise complies with applicable requirements of the backup withholding rules. Any amounts withheld under the backup withholding rules are not an additional tax and may be credited against the Thorium Power Holder's U.S. federal income tax liability for the appropriate taxable year, provided the required information is furnished to the IRS.

Thelen Reid & Priest LLP has delivered an opinion to Thorium Power incorporating the preceding discussion. The opinion has been filed as an exhibit to the registration statement of which this prospectus is a part. The opinion is based, in part, on assumptions and on representations made by Thorium Power's management.

An opinion of counsel only represents counsel's best legal judgment, and has no binding effect or official status of any kind. No assurance can be given that contrary positions will not be taken by the Internal Revenue Service or a court considering the issues. Neither Thorium Power nor Novastar has requested or will request a ruling for the IRS with regard to the U.S. federal income tax consequences of the merger.

RIGHTS OF DISSENTING STOCKHOLDERS

Upon completion of the merger, holders of Thorium Power common stock who did not consent to the adoption of the merger agreement and who follow the procedures specified in Section 262 of the Delaware General Corporation Law or DGCL within the appropriate time periods will be entitled to have their shares of Thorium Power common stock appraised by the Delaware Court of Chancery and to receive the "fair value" of such shares in cash as determined by such court in lieu of the consideration that such stockholders would otherwise be entitled to receive pursuant to the merger agreement.

On April 12, 2006, Thorium Power distributed an information statement to its stockholders that informed the Thorium Power stockholders of the annual meeting that occurred on April 26, 2006. The information statement also notified the stockholders of Thorium Power that stockholders of Thorium Power holding the requisite number of shares to approve the merger signed a written consent that approved the merger agreement and the transactions contemplated thereby. The meeting was held solely for informational purposes and no vote was taken at the meeting. The information statement included detailed instructions about how to exercise appraisal rights. Stockholders who intended to exercise appraisal rights were required to submit written notice of this intent to Thorium Power prior to May 2, 2006, the twentieth day following the mailing of the information statement to the Thorium Power stockholders.

NOVASTAR RESOURCES LTD.
SELECTED HISTORICAL FINANCIAL INFORMATION

The data for the years ended June 30, 2004 and 2005 have been derived from Novastar's consolidated financial statements that have been audited by Telford Sadovnick, P.L.L.C., independent auditors, which are contained elsewhere in this prospectus. The data for the nine months ended March 31, 2006 and 2005 and the balance sheet data as of March 31, 2006 have been derived from Novastar's accounting records and have not been audited. This interim data contains all adjustments that are of a normal recurring nature necessary to present fairly the financial position and results of operations for the interim reporting period. Operating results for the nine-month period ended March 31, 2006 and the years ended June 30, 2005 and 2004 are not necessarily indicative of results that may be expected for any future periods. Please read the selected financial data set forth below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations - Novastar", Novastar's financial statements and related notes contained elsewhere in this prospectus, Novastar's Form 10-KSB for the fiscal year ended June 30, 2005 and Novastar's Form 10-QSB for the nine months ended March 31, 2006.

	NINE MONTHS ENDED MARCH 31,		YEARS ENDED JUNE 30,	
	2006 (unaudited)	2005 (unaudited)	2005 (audited)	2004 (audited)
STATEMENT OF OPERATIONS DATA				
Revenue	\$ 0	\$ 0	\$ 0	\$ 0
Expenses				
Consulting	\$ 3,362,399	\$ 833,048	\$ 2,303,533	\$ 23,635
Interest attributable to beneficial conversion feature for notes payable	--	\$ 442,813	\$ 442,813	\$ 55,178
Interest - other	--	--	\$ 0	\$ 678
Public relations	\$ 132,785	--	\$ 68,899	\$ 0
Legal	\$ 273,776	--	\$ 27,654	\$ 8,912
Administrative	\$ 69,994	\$ 80,526	\$ 15,929	\$ 3,996
Accounting	\$ 50,113	--	\$ 2,506	\$ 3,031
Forgiveness of debt	--	--	\$ (169,818)	\$ 0
Mineral property acquisition costs	\$ 1,720,544	--	\$ 0	\$ 0
Mineral property exploration expenses	\$ 269,608	--	\$ 0	\$ 0
Write down of equipment	--	--	\$ 0	\$ 0
Stock-based compensation	\$ 5,020,335	--	--	--
Net Loss	\$ (10,899,554)	\$ (1,356,387)	\$ (2,691,516)	\$ (95,430)
Loss Per Share	\$ (0.11)	\$ (0.03)	\$ (\$0.05)	\$ 0.00
Weighted Average Number of Shares				
Outstanding	103,148,271	50,110,123	57,188,970	38,372,532

	AS OF March 31, 2006 (unaudited)	AS OF June 30, 2005 (audited)	2004 (audited)
BALANCE SHEET DATA			
Total Current Assets	\$ 324,960	\$ 802	\$ 0
Long Term Investment	\$ 700,000	\$ 0	\$ 0
Exploration Equipment	\$ 55,290	\$ 0	\$ 774
Total Assets	\$ 1,080,250	\$ 802	\$ 774
Total Current Liabilities	\$ 691,505	\$ 224,980	\$ 323,663
Total Liabilities	\$ 691,505	\$ 224,980	\$ 772,969
Total Stockholders' Equity (Deficiency)	\$ 388,745	(\$224,178)	(\$772,195)

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - NOVASTAR**

The following discussion should be read in conjunction with Novastar's financial statements, together with the notes to those statements, included elsewhere in this report. The following discussion contains forward-looking statements that involve risks, uncertainties, and assumptions such as statements of Novastar's plans, objectives, expectations, and intentions. Novastar's actual results may differ materially from those discussed in these forward-looking statements because of the risks and uncertainties inherent in future events.

Overview

Novastar has engaged in the acquisition, exploration and evaluation of mineral rights in properties containing thorium. All commercially viable thorium metal is extracted from monazite. The phosphate mineral monazite exists as a sand and may contain concentrations of 3.0% -12.0% thorium oxide as well as other rare earth minerals such as cerium, lanthanum, yttrium and neodymium, and platinum group metals ("platinum group metals").

In the future, Novastar may acquire rights to properties that contain monazite deposits. Properties of interest to Novastar would be both monazite stockpiles and in ground concentrations of mineral monazite.

The current market for thorium is very limited. Novastar's objective has been to become a supplier of thorium to be used in the future as fuel in nuclear energy industry. Thorium can be used to power existing nuclear reactors using designs developed by Thorium Power. Thorium based nuclear fuels are believed to have several important advantages over conventional nuclear fuels, such as non-proliferation benefits, environmental benefits and possible cost and safety benefits.

Novastar expects to generate revenues in the future through the sale of thorium, platinum group metals and other rare earth minerals, but we have not done so to date.

Outlook

As of the date of this prospectus, there is not any significant global demand for thorium as a source of nuclear fuel. Novastar believes that there will be significant increases in demand for thorium at some future point; however, Novastar is unable to predict when or if this will occur.

The International Atomic Energy Agency (IAEA), a United Nations organization, submitted an official report on the thorium nuclear fuel cycle in May of 2005. On July 6, 2005 Novastar issued a press release commenting on this report. The IAEA report publicly promotes the significant benefits of thorium as a nuclear fuel. In addition, on page # 91 of its report, the IAEA recommended that companies augment the exploration and mining of thorium to insure the availability of sufficient supplies of reactor grade thorium.

To date, Novastar has invested approximately \$1,350,000 in Thorium Power and upon consummation of the merger, Novastar will acquire Thorium Power and it will become Novastar's wholly-owned subsidiary.

Seth Grae, the CEO of Thorium Power became Novastar's CEO on March 17, 2006 pursuant to the terms of the merger agreement. He and Thomas Graham, Jr., a board member of Thorium Power, also became members of Novastar's board of directors on April 2, 2006. Cornelius Milmoie became a director of Novastar on April 2, 2006 and its COO on April 4, 2006.

Novastar has worked with the government relations firm Capitol Project Partners, LLC. To inform government officials on the value of thorium and a thorium nuclear fuel cycle.

In addition to the acquisition of thorium properties and mineral rights, Management believes Novastar may have potential revenue opportunities to supplement its business since other metals of commercial significance can be extracted from Novastar's properties. These would include platinum group metals and rare earth minerals of the yttrium group. Rare earth minerals can be divided into two groups: the yttrium group, containing yttrium, lanthanum, cerium, neodymium, and the dysprosium group, containing europium, gadolinium, terbium, dysprosium, holmium, and erbium. Mineral monazite only contains concentrations of rare earth minerals classified in the yttrium group.

Management believes that Novastar's properties may also contain zirconium oxide. Zirconium metal is used as an alloy to coat metal parts to provide heat and corrosion resistance. It is widely used in nuclear reactors and management believes that there may be a growing use in the automotive industry to replace chrome. Management believes that platinum may also be present on Novastar's properties. Platinum may be used to coat machinery parts to impart wear resistance and to electronic components to enhance electrical conductivity. Platinum is also widely used in the automotive industry for catalytic converters and in the jewelry industry.

Novastar Resources may process and stockpile rare earth minerals as a by-product of mining and refining mineral monazite into thorium oxide. Novastar intends to identify potential buyers of rare earth minerals both in the United States and abroad. With approximately 80% of world rare earth metals production sourced from the Peoples' Republic of China and no rare earth mineral mines operating in North America, rare earth minerals may become an important strategic commodity. Novastar believes that there may be short and intermediate term revenue generating opportunities from sales of rare earth minerals. Some of the commercial applications for rare earth minerals include, but are not limited to:

- o industrial super alloys used in the aerospace and nuclear industries
 - o crystals manufactured for the production of lasers
 - o the refining of petroleum products
 - o in magnetic refrigeration technology

- o as catalysts used in the manufacture of fuel-cells
- o in cellular phones and other wireless equipment
- o magnetic plastic technology used in computer data memory devices
- o fiber-optic lines and to color, polarize and polish glass
- o the creation of high temperature superconductors
- o catalytic converters for the automotive industry

Results of Operations - Fiscal Year Ended June 30, 2005 and 2004

Summary

The following table summarizes the results of Novastar's operations during the fiscal year ended June 30, 2005 and 2004 and provides information regarding the dollar and percentage increase or (decrease) from the 2005 fiscal year to the 2004 fiscal year.

Line Item	6/30/05	6/30/04	Increase (Decrease)	Percentage Increase (Decrease)
Revenues	\$ 0.00	\$ 0.00	\$ 0.00	0%
Operating Expenses	\$ 2,248,703	\$ 39,574	\$ 2,209,129	5582%
Interest Expense	\$ 442,813	\$ 55,856	\$ 386,957	693%
Net Loss	\$ 2,691,516	\$ 95,430	\$ 2,596,086	2720%
Loss per common share	(\$0.05)	\$ 0.00	\$ 0.05	--

Novastar's consolidated net loss for the fiscal year ended June 30, 2005 was \$2,691,516 or \$.05 per share compared to the previous year's consolidated net loss of \$95,430 or \$0.00 per share for a net loss increase of \$2,596,086. The largest new expense was related to consulting services, totaling \$2,303,533 for the year ended June 30, 2005, performed by consultants whose services included research into prospective business venues, seeking out business opportunities, making introductions and other business consulting. This increase in consulting expense was \$2,279,898, which accounted for approximately 88% of the increase in Novastar's net loss for the year ended June 30, 2005.

Corporate administration and public relations

Corporate administrative and public relations costs totaled \$84,828 in the 2005 fiscal year compared to \$3,996 in the previous year, representing an increase of \$80,832. Included in these costs are the costs of a public relations program started in the year and business development costs in association with seeking mineral interest opportunities and promoting the use of Thorium based nuclear fuels. Also included are travel expenses for executives and geologists, travel to various conferences and other miscellaneous office expenses.

Legal and accounting costs

Legal and accounting costs totaled \$30,160 in the 2005 fiscal year compared to \$11,943 in the previous year, representing an increase of \$18,217 or 152%. This increase reflects primarily the company's business activity in the current year in lead up to the property acquisitions, pre-merger activities and financing achieved subsequent to fiscal year-end.

Cash Flows - Fiscal Year Ended June 30, 2005 and 2004

Cash provided by Operations

Cash provided by operations was \$7,079 in the 2005 fiscal year compared to cash used of \$10,294 in the previous year.

The increase of \$17,373 can be attributed to an increase in Novastar's expenses.

During the 2005 fiscal year \$2,239,533 of consulting services were provided to Novastar for which Novastar paid in common shares in lieu of cash. A further \$1,000,000 of consulting services were provided for debt which converted to common shares and common stock purchase warrants. This compares to \$22,500 of services in the prior fiscal year paid for by the issuance of shares in lieu of cash.

Including the effect of \$169,818 in debt forgiven, accounts payable and accrued liabilities increased by \$71,135 as compared to \$7,265 in the prior year.

The above-noted increases and increases in other costs arise from increased business activity as Novastar embarked on its new business model of acquiring, exploring and developing thorium and rare earth mineral properties and rights thereto, and its alliance and merger negotiations with Thorium Power.

During the 2005 fiscal year interest attributable to the beneficial conversion of notes payable totaled \$442,813 as compared to \$55,178 in the prior year. This increase is attributable to the conversion of notes payable in the current year to shares and warrants.

Financing Activities

Novastar received from its noteholders cash from financing activities of \$7,881 in its fiscal year ended June 30, 2005, compared to \$9,400 in the previous year.

In addition Novastar received proceeds of \$94,140 in the 2005 fiscal year through a private placement which was to close subsequent to year-end; this placement was terminated after year-end and the proceeds returned to the subscribers.

Results of Operations - Nine Months Ended March 31, 2006 and 2005Summary

The following table summarizes the results of Novastar's operations during the nine month period ended March 31, 2006 and 2005 and provides information regarding the dollar and percentage increase or (decrease) from the 2006 period to the 2005 period.

Line Item	3/31/06	3/31/05	Increase (Decrease)	Percentage Increase (Decrease)
Revenues	\$ 0.00	\$ 0.00	\$ 0.00	0%
Operating Expenses	\$ 10,899,554	\$ 913,574	\$ 9,985,980	1090%
Interest Expense	--	\$ 442,813	(\$442,813)	(100)%
Net Loss	\$ 10,899,554	\$ 1,356,387	\$ 9,543,167	700%
Loss per common share	(\$0.11)	(\$0.03)	\$ 0.08	270%

Novastar's consolidated net loss for the nine month period ended March 31, 2006 was \$10,899,554 or \$0.11 per share compared to the same period of the previous year consolidated net loss of \$1,356,387 or \$0.03 per share for a net loss increase of \$9,543,167. The largest expense was related to stock-based compensation expenses of \$4,150,000 to Novastar's new director and CEO issued in accordance to an employment agreement Novastar entered into in February 2006. Novastar also issued stock for consulting services performed by consultants whose services included research into prospective business venues, seeking out business opportunities, making introductions and other business consulting. Total consulting and stock-based compensation issued to officers, consultants and others totaled approximately \$8,400,000, or approximately 77% of Novastar's total net loss for the nine month period ended March 31, 2006.

Mineral production and revenue

As Novastar is in the exploration stage regarding its mineral interests (leases located in Alabama, acquired on September 14 and December 31 2005, from entities controlled by former CEO Charles Merchant, and claims located in North Queensland, Australia, acquired on September 30, 2005), Novastar has not, as of yet, produced any minerals revenues nor produced any minerals.

Exploration, property evaluation and holding costs

As of its fiscal year-end, Novastar held no mineral interests. It subsequently acquired three mineral leases. A mineral lease in Clay County, Alabama was assigned to Novastar on September 14, 2005. The agreement is more completely described in the section captioned "NOVASTAR'S BUSINESS - Properties."

On December 31, 2005, Novastar acquired a 51% interest in mineral leases in Clay and Cleburne Counties in Alabama. The assignment agreement is more completely described in the section captioned "NOVASTAR'S BUSINESS - Properties."

On September 30, 2005, Novastar acquired certain North Queensland, Australia mineral interests. The acquisition agreement is more completely described in the section captioned "NOVASTAR'S BUSINESS - Properties."

Corporate administration and public relations

Corporate administrative and public relations costs totaled \$202,779 during the nine month period ended March 31, 2006 compared to \$80,526 in the same period of the previous year, representing an increase of \$122,253. Included in these costs are the costs of a public relations program started in the year and business development costs in association with seeking mineral interest opportunities and promoting the use of thorium based nuclear fuels. Also included are travel expenses for executives and scientists, travel to various conferences and other miscellaneous office expenses.

Legal and accounting costs

Legal and accounting costs totaled \$323,889 during the nine month period ended March 31, 2006 compared to none in the previous year, representing an increase of \$323,889. This increase reflects primarily legal fees incurred in connection with the entry into the merger agreement with Thorium Power and related transactions, the company's business activity in the current year in lead up to the property acquisitions and financing achieved during the nine month period ended March 31, 2006.

Cash Flows - Nine Months Ended March 31, 2006 and 2005

Cash provided by Operations

Cash used by operations was \$622,572 during the nine month period ended March 31, 2006 as compared to cash used of \$107,881 in the same period of the previous year.

The change can be attributed to an increase in Novastar's period end accounts payable and accrued liabilities and other payables of \$504,025. This increase was offset by a decrease in prepaid expenses at period end of \$258,444.

The above-noted increases and increases in other costs (namely, public relations and legal) arise from increased business activity as Novastar embarked on its new business model of acquiring, exploring and developing thorium, platinum group metals and rare earth mineral properties and rights thereto. Additional costs were incurred in connection with the entry by Novastar into the merger agreement with Thorium Power and the actions taken in connection with the merger agreement.

Investing Activities

Cash used by investing activities increased \$758,200 during the nine month period ended March 31, 2006. This increase was due primarily to an investment of \$700,000 Novastar made to purchase 175,000 shares of Thorium Power at \$4 per share. The remaining \$58,200 was spent on exploration equipment.

Financing Activities

Novastar received cash from financing activities of \$1,446,486 during the nine month period ended March 31, 2006, compared to \$107,881 in the same period of the previous year.

In addition Novastar received proceeds of \$631,000 in the nine month period ended March 31, 2006 through a private placement. The placement was an offering of 4,209,998 units at a price of \$0.15 per unit. Each unit consists of one common share and one-half of a non-transferable share purchase warrant. Each warrant entitles the holder thereof to acquire one additional share of common stock at a price of \$0.30 per share and has an expiry date of twelve months from the closing date of the subscription.

The company also received \$1,262,500 through another private placement, offering 4,208,331 units at \$0.30 per unit. There are also warrants that were issued that entitle the holder to purchase one additional share of stock at a price of \$0.50 per share.

On February 20, 2006, Novastar repurchased 5,000,000 shares of its common stock from Walter Doyle, the prior owner of Novastar's North Queensland, Australia property, for \$400,000 or \$0.08 per share.

Liquidity and Capital Resources

At March 31, 2006, Novastar's total assets were \$1,080,250. Liabilities as of March 31, 2006 totaled \$691,505. Novastar had working capital deficiency of \$366,545 at March 31, 2006.

Novastar recently closed a \$15,000,000 private placement, for the purpose of acquiring, exploring and developing Thorium and rare earth minerals properties as well as assist Novastar in connection with the planned acquisition of Thorium Power and the development of Thorium Power's business.

Major cash commitments in the next fiscal year are related to the funding of Thorium Power's business, corporate administration and operations, and proposed exploration activities.

Off Balance Sheet Arrangements

Novastar does not have any off balance sheet arrangements that have or are reasonably likely to have a current or future effect on Novastar's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity or capital expenditures or capital resources that is material to an investor in Novastar's securities.

Seasonality

Novastar's business has not been subject to any material seasonal variations in operations, although this may change in the future.

Inflation

As a development stage company, Novastar's business, revenues and operating results have not been affected in any material way by inflation. If and when it begins marketing thorium and other minerals, Management expects its business will be affected by inflation and commodity price volatility.

Critical Accounting Policies

The Securities and Exchange Commission issued Financial Reporting Release No. 60, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies" suggesting that companies provide additional disclosure and commentary on their most critical accounting policies. In Financial Reporting Release No. 60, the Securities and Exchange Commission has defined the most critical accounting policies as the ones that are most important to the portrayal of a company's financial condition and operating results, and require management to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition, Novastar has identified the following significant policies as critical to the understanding of its financial statements.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make a variety of estimates and assumptions that affect (i) the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and (ii) the reported amounts of revenues and expenses during the reporting periods covered by the financial statements.

Novastar's management expects to make judgments and estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the future resolution of the uncertainties increase, these judgments become even more subjective and complex. Although Novastar believes that its estimates and assumptions are reasonable, actual results may differ significantly from these estimates. Changes in estimates and assumptions based upon actual results may have a material impact on Novastar's results of operation and/or financial condition. Novastar has identified certain accounting policies that it believes are most important to the portrayal of its current financial condition and results of operations. Novastar's significant accounting policies are disclosed in Note 2 to the Consolidated Financial Statements included in its Annual Report on Form 10-KSB.

Mineral Property Exploration and Acquisition Costs

Costs of acquiring property concessions and exploration costs will be capitalized by project area when a production decision is made in respect to the project and Novastar is reasonably assured that it will receive regulatory approval to permit mining operations. Costs to maintain the property concessions and leases are expensed as incurred. When a property concession reaches the production stage, the related capitalized costs will be amortized, using the units of production method on the basis of periodic estimates of ore reserves. To date no property concessions have reached production stage.

Property concessions will be periodically assessed for impairment of value and any diminution in value is charged to operations at the time of impairment. Should a property concession be abandoned, its capitalized costs will be charged to operations. Novastar charges to operations the allocable portion of capitalized costs attributable to property concessions sold. Capitalized costs will be allocated to property concessions abandoned or sold based on the proportion of claims abandoned or sold to the claims remaining within the project area.

Deferred tax assets and liabilities

Novastar will recognize the expected future tax benefit from deferred tax assets when the tax benefit is considered to be more likely than not of being realized. Assessing the recoverability of deferred tax assets requires management to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecasted cash flows and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of Novastar to realize deferred tax assets could be impacted. Additionally, future changes in tax laws in the jurisdictions in which Novastar operates could limit Novastar's ability to obtain the future tax benefits.

Property and equipment

Property and equipment are stated at cost. Depreciation is provided using the straight-line or accelerated methods over the estimated useful lives of the assets. The useful lives of property, plant and equipment for purposes of computing depreciation are five to seven years for equipment, and 39 years for buildings.

Novastar evaluates the recoverability of property and equipment when events and circumstances indicate that such assets might be impaired. Novastar determines impairment by comparing the undiscounted future cash flows estimated to be generated by these assets to their respective carrying amounts. Maintenance and repairs are expensed as incurred. Replacements and betterments are capitalized. The cost and related reserves of assets sold or retired are removed from the accounts, and any resulting gain or loss is reflected in results of operations.

Accounting for Stock Based Compensation, Stock Options and Warrants Granted to Employees and Nonemployees

Novastar currently reports stock issued to employees under the rules of SFAS No. 123R.

The options were valued using the Black-Scholes option pricing model. The assumptions used were as follows: volatility of 284%, a risk-free interest rate of 4.33% and an exercise term of ten years.

Environmental Matters

When it is probable that costs associated with environmental remediation obligations will be incurred and they are reasonably estimable, Novastar will accrue such costs at the most likely estimate. Accruals for estimated losses from environmental remediation obligations generally are recognized no later than completion of the remedial feasibility study for such facility and are charged to provisions for closed operations and environmental matters. Novastar periodically reviews its accrued liabilities for such remediation costs as evidence becomes available indicating that its remediation liability has potentially changed. Costs of future expenditures for environmental remediation are not discounted to their present value unless subject to a contractually obligated fixed payment schedule. Such costs are based on Novastar's current estimate of amounts that are expected to be incurred when the remediation work is performed within current laws and regulations. Recoveries of environmental remediation costs from other parties will be recorded as assets when their receipt is deemed probable.

Future remediation costs for inactive mines will be accrued based on management's best estimate at the end of each period of the undiscounted costs expected to be incurred. Such costs estimates include, where applicable, ongoing care, maintenance and monitoring costs. Changes in estimates are reflected in earnings in the period an estimate is revised.

Accounting for reclamation and remediation obligations requires management to make estimates unique to each mining operation of the future costs Novastar will incur to complete the reclamation and remediation work required to comply with existing laws and regulations. Actual costs incurred in future periods could differ from amounts estimated. Additionally, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required. Any such increases in future costs could materially impact the amounts charged to earnings. At March 31, 2005 and the years ended June 30, 2005 and 2004, Novastar has no accrual for reclamation and remediation obligations because management cannot make a reasonable estimate. Any reclamation or remediation costs related to abandoned concessions has been previously expensed.

THORIUM POWER, INC.
SELECTED HISTORICAL FINANCIAL INFORMATION

You should read the following summary financial data together with the discussion in “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Thorium Power” and Thorium Power’s financial statements and related notes contained elsewhere in this prospectus.

The data for the years ended December 31, 2005 and 2004 have been derived from Thorium Power’s financial statements that have been audited by Child Van Wagoner and Bradshaw, PLLC, independent auditors, which are contained elsewhere in this prospectus. The data for the three months ended March 31, 2006 and the balance sheet data as of March 31, 2006 has been derived from Thorium Power’s accounting records and have not been audited. However, in the opinion of management, all adjustments (which are of a normal recurring nature) necessary to present fairly the financial position, results of operations and cash flows at March 31, 2006 and for all periods presented, have been made. Operating results for the three month period ended March 31, 2006 and the years ended December 31, 2005 and 2004 are not necessarily indicative of results that may be expected for any future periods.

FOR THE THREE MONTHS ENDED MARCH 31		YEARS ENDED DECEMBER 31		Cumulative from January 8, 1992 (inception) through March 31, 2006
2006	2005	2005	2004	
(unaudited)	(unaudited)	(unaudited)	(unaudited)	