NOVASTAR RESOURCES LTD. Form 10QSB May 22, 2006

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended March 31, 2006

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

For the transition period from ______ to _____

Commission file number <u>000-28543</u>

NOVASTAR RESOURCES LTD.

(Exact name of small business issuer as specified in its charter)

Nevada

91-1975651

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

8300 Greensboro Drive, Suite 800, McLean, VA 22102

(Address of principal executive offices)

800.685.8082

(Issuer s telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [x] No [

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). (Check one): Yes [x] No [

State the number of shares outstanding of each of the issuer s classes of common equity, as of the latest practicable date:

127,848,785 shares of common stock issued and outstanding as of May 18, 2006 with a par value of \$0.001 per share.

Transitional Small Business Disclosure Format (Check one): Yes [] No [x]

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Part I -- Financial Information

Item 1. Financial Statements.

We have prepared the financial statements included herein without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such Securities and Exchange Commission rules and regulations. In our opinion, the accompanying statements contain all adjustments necessary to present fairly the financial position of our company as of March 31, 2006, and its results of operations for the three month and six month periods ended March 31, 2006 and 2005 and its cash flows for the six month periods ended March 31, 2006 and 2005. The results for these interim periods are not necessarily indicative of the results for the entire year. The accompanying financial statements should be read in conjunction with the financial statements and the notes thereto filed as a part of our annual report on Form 10-KSB.

NOVASTAR RESOURCES LTD.

(Formerly Custom Branded Networks, Inc.) (An Exploration Stage Company)

THIRD QUARTER FINANCIAL STATEMENTS

MARCH 31, 2006 (Unaudited) (Stated in U.S. Dollars)

NOVASTAR RESOURCES LTD.

(An Exploration Stage Company)

CONSOLIDATED BALANCE SHEETS (Unaudited)

(Stated in U.S. Dollars)

ASSETS Current Cash \$ 66,516 \$ 802 Restricted cash 94,140 Less: Refundable to subscribers of common stock 94,140 Prepaid expenses 258,444 324,960 802 Long Term Investment 700,000 - Exploration Equipment 55,290 - Exploration Equipment 50,000,000 Accounts payable 306,881 \$ 121,438 Accured liabilities 378,061 103,542 Due to related party 6,863 - Exploration 691,505 224,980 STOCKHOLDERS EQUITY (DEFICIENCY) Share Capital Authorized: 250,000,000 voting common shares with a par value of \$0,001 per share 50,001 per share 50,001 per share 50,000 per share		N	1ARCH 31 2006		JUNE 30 2005
Cash \$ 66,516 \$ 094,140 Less: Refundable to subscribers of common stock - 94,140 Less: Refundable to subscribers of common stock - (94,140) Prepaid expenses 258,444 - 324,960 802 Long Term Investment 700,000 - Exploration Equipment 55,290 - Current - - Accounts payable \$ 306,581 \$ 121,438 Accued liabilities 378,061 103,542 Due to related party 6,863 - Authorized: - - 250,000,000 voting common shares with a par value of \$0,001 per share 50,000,000 preferred shares with a par value of \$0,001 per share 50,000,000 preferred shares with a par value of \$0,001 per share 86,072,532 112,015,606 common shares (June 30, 2005 - 86,072,532) 112,015,606 common shares (June 30, 2005 - 86,072,532) 112,015 86,073 Additional paid-in capital 11,259,343 3,832,247 Share Subscriptions Received 250,000 - Common Share Purchase Warrants 352,918 495,834					
Restricted cash					
Less: Refundable to subscribers of common stock - (94,140) Prepaid expenses 258,444 - 324,960 802 Long Term Investment 700,000 - Exploration Equipment 55,290 - Exploration Equipment 50,000,581 5 121,438 Accounts payable 306,581 103,542 Accounts payable 378,061 103,542 Due to related party 6,863 - Exploration Equipment 6,863 - Exploration Equipment 50,000,000 Exploration Equipment 50,000,000 Exploration Equipment 50,000,000 Exploration Equipment 55,290 Exploration E		\$	66,516	\$	
Prepaid expenses 258,444 - 324,960 802 Long Term Investment 700,000 - 5 Exploration Equipment 55,290 - 7 Exploration Equipment 54,000,581 5 121,438 Accurued liabilities 378,061 103,542 Due to related party 6,863 - 6 Exploration Equipment 6,863 - 6 Exploration Equipment 6,863 - 6 Exploration Equipment 50,000,000 Exploration Equipment 55,290 5 Exploration Equipment 50,000,000 Exploration Equipment 50,000,000 Exploration Equipment 50,000,000,000 Exploration Equipment 50,000,000,000,000 Exploration Equipment 50,000,000,000,000,000,000,000,000 Exploration Equipment 50,000,000,000,000,000,000,000,000,000,			-		
No.			-		(94,140)
Comparison Equipment 700,000	Prepaid expenses		,		-
Page			,		802
Sample S	S		· · ·		-
Accounts payable	Exploration Equipment		55,290		-
Accounts payable					
Accounts payable		\$	1,080,250	\$	802
Accounts payable	Y Y A DAY MINARG				
Accounts payable					
Accrued liabilities 378,061 6,863 6,863 691,505 224,980 STOCKHOLDERS EQUITY (DEFICIENCY) Share Capital Authorized: 250,000,000 voting common shares with a par value of \$0,001 per share 50,000,000 preferred shares with a par value of \$0.001 per share Issued and outstanding: 112,015,606 common shares (June 30, 2005 - 86,072,532) 112,015 86,073 Additional paid-in capital 11,259,343 3,832,247 Share Subscriptions Received 250,000 - Common Share Purchase Warrants 352,918 495,834 Shares Committed For Issuance 4,150,000 - Accumulated Deficit (15,037,919) (4,138,365) Deferred Stock Compensation (697,612) (499,967)		ф	207 504	ф	101 400
Due to related party		\$	•	\$	
STOCKHOLDERS EQUITY (DEFICIENCY) Share Capital					103,542
STOCKHOLDERS EQUITY (DEFICIENCY) Share Capital	Due to related party		,		-
Share Capital Authorized: 250,000,000 voting common shares with a par value of \$0.001 per share 50,000,000 preferred shares with a par value of \$0.001 per share \$0.001 per share Issued and outstanding: 112,015,606 common shares (June 30, 2005 - 86,072,532) 112,015 86,073 Additional paid-in capital 11,259,343 3,832,247 Share Subscriptions Received 250,000 - Common Share Purchase Warrants 352,918 495,834 Shares Committed For Issuance 4,150,000 - Accumulated Deficit (15,037,919) (4,138,365) Deferred Stock Compensation (697,612) (499,967)			691,505		224,980
Share Capital Authorized: 250,000,000 voting common shares with a par value of \$0.001 per share 50,000,000 preferred shares with a par value of \$0.001 per share \$0.001 per share Issued and outstanding: 112,015,606 common shares (June 30, 2005 - 86,072,532) 112,015 86,073 Additional paid-in capital 11,259,343 3,832,247 Share Subscriptions Received 250,000 - Common Share Purchase Warrants 352,918 495,834 Shares Committed For Issuance 4,150,000 - Accumulated Deficit (15,037,919) (4,138,365) Deferred Stock Compensation (697,612) (499,967)					
Authorized: 250,000,000 voting common shares with a par value of \$0.001 per share 50,000,000 preferred shares with a par value of \$0.001 per share Issued and outstanding: 112,015,606 common shares (June 30, 2005 - 86,072,532) 112,015 Additional paid-in capital 11,259,343 3,832,247 Share Subscriptions Received Common Share Purchase Warrants 352,918 495,834 Shares Committed For Issuance 4,150,000 - Accumulated Deficit (15,037,919) (4,138,365) Deferred Stock Compensation (697,612) (499,967)	STOCKHOLDERS EQUITY (DEFICIENCY)				
Authorized: 250,000,000 voting common shares with a par value of \$0.001 per share 50,000,000 preferred shares with a par value of \$0.001 per share Issued and outstanding: 112,015,606 common shares (June 30, 2005 - 86,072,532) 112,015 Additional paid-in capital 11,259,343 3,832,247 Share Subscriptions Received Common Share Purchase Warrants 352,918 495,834 Shares Committed For Issuance 4,150,000 - Accumulated Deficit (15,037,919) (4,138,365) Deferred Stock Compensation (697,612) (499,967)					
250,000,000 voting common shares with a par value of \$0.001 per share 50,000,000 preferred shares with a par value of \$0.001 per share Issued and outstanding: 112,015,606 common shares (June 30, 2005 - 86,072,532) 112,015 Additional paid-in capital 11,259,343 3,832,247 Share Subscriptions Received 250,000 Common Share Purchase Warrants 352,918 495,834 Shares Committed For Issuance 4,150,000 - Accumulated Deficit (15,037,919) (4,138,365) Deferred Stock Compensation (697,612) (499,967)					
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Solution	-				
Issued and outstanding: 112,015,606 common shares (June 30, 2005 - 86,072,532)	•				
Issued and outstanding: 112,015,606 common shares (June 30, 2005 - 86,072,532) 112,015 86,073 Additional paid-in capital 11,259,343 3,832,247 Share Subscriptions Received 250,000 - Common Share Purchase Warrants 352,918 495,834 Shares Committed For Issuance 4,150,000 - Accumulated Deficit (15,037,919) (4,138,365) Deferred Stock Compensation (697,612) (499,967)	•				
112,015,606 common shares (June 30, 2005 - 86,072,532) Additional paid-in capital 11,259,343 3,832,247 Share Subscriptions Received 250,000 - Common Share Purchase Warrants 352,918 495,834 Shares Committed For Issuance 4,150,000 - Accumulated Deficit (15,037,919) (4,138,365) Deferred Stock Compensation (697,612) (499,967)	\$0.001 per snare				
112,015,606 common shares (June 30, 2005 - 86,072,532) Additional paid-in capital 11,259,343 3,832,247 Share Subscriptions Received 250,000 - Common Share Purchase Warrants 352,918 495,834 Shares Committed For Issuance 4,150,000 - Accumulated Deficit (15,037,919) (4,138,365) Deferred Stock Compensation (697,612) (499,967)	Icound and autotonding				
86,072,532) 112,015 86,073 Additional paid-in capital 11,259,343 3,832,247 Share Subscriptions Received 250,000 - Common Share Purchase Warrants 352,918 495,834 Shares Committed For Issuance 4,150,000 - Accumulated Deficit (15,037,919) (4,138,365) Deferred Stock Compensation (697,612) (499,967)	e				
Additional paid-in capital 11,259,343 3,832,247 Share Subscriptions Received 250,000 - Common Share Purchase Warrants 352,918 495,834 Shares Committed For Issuance 4,150,000 - Accumulated Deficit (15,037,919) (4,138,365) Deferred Stock Compensation (697,612) (499,967)			112.015		96.072
Share Subscriptions Received250,000-Common Share Purchase Warrants352,918495,834Shares Committed For Issuance4,150,000-Accumulated Deficit(15,037,919)(4,138,365)Deferred Stock Compensation(697,612)(499,967)	80,072,332)		112,015		80,073
Share Subscriptions Received250,000-Common Share Purchase Warrants352,918495,834Shares Committed For Issuance4,150,000-Accumulated Deficit(15,037,919)(4,138,365)Deferred Stock Compensation(697,612)(499,967)	Additional paid in capital		11 250 3/3		2 822 247
Common Share Purchase Warrants352,918495,834Shares Committed For Issuance4,150,000-Accumulated Deficit(15,037,919)(4,138,365)Deferred Stock Compensation(697,612)(499,967)	Additional paid-in capital		11,239,343		3,032,247
Common Share Purchase Warrants352,918495,834Shares Committed For Issuance4,150,000-Accumulated Deficit(15,037,919)(4,138,365)Deferred Stock Compensation(697,612)(499,967)	Share Subscriptions Received		250 000		_
Shares Committed For Issuance4,150,000-Accumulated Deficit(15,037,919)(4,138,365)Deferred Stock Compensation(697,612)(499,967)	-		·		495 834
Accumulated Deficit (15,037,919) (4,138,365) Deferred Stock Compensation (697,612) (499,967)					
Deferred Stock Compensation (697,612) (499,967)					(4 138 365)
	201210 Stock Compensation		388,745		(224,178)

\$ 1,080,250 \$ 802

The accompanying notes are an integral part of these financial statements

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NOVASTAR RESOURCES LTD.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(Stated in U.S. Dollars)

		ONTHS ENDED RCH 31 2005		ONTHS ENDED ARCH 31 2005	CUMULATIVE PERIOD FROM INCEPTION JUNE 18 1999 TO MARCH 31 2006
Revenue	-	\$ -	\$ -	\$ -	\$ 184,162
Expenses					
Consulting	1,219,379	833,048	3,362,399	833,048	5,860,312
Interest attributable to					
beneficial conversion feature					
for notes					
	-	411,693	-	442,813	579,379
payable					(70
Interest other	•	-	-	-	678
Public relations	37,167	-	132,785	-	276,128
Legal	246,704	-	273,776	_	483,372
General			_,,,,,,		,
and					
administrative	58,488	77,439	69,994	80,526	990,117
Accounting	7,811	-	50,113	-	128,981
Accounting	-	-	-	_	(169,818)
Forgiveness of debt					(10),010)
Mineral property					
acquisition costs	-	-	1,720,544	-	1,770,544
Mineral property					

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1							
exploration	224,946			269,608			269,608
avmanaa	224,940		-	209,008		-	209,008
expenses	(1.754.166)						
C11-4:	(1,754,166)		-	-		-	-
Cancellation							
costs							
Stock							
based	5 000 005			5 000 005			5.020.225
	5,020,335		-	5,020,335		-	5,020,335
compensation							
Write							
down of							10.115
	-		-	-		-	12,445
equipment	- 0.60.664		1 222 100	40.000 ==4		4.076.007	1.7.000.001
	5,060,664		1,322,180	10,899,554		1,356,387	15,222,081
	(- 0 - 0 1)		/ · · · ·	(10.000.00.00		(1.225.20=).4	(1 - 0 - 0 - 0)
Net Loss For	\$ (5,060,664)	\$	(1,322,180) \$	(10,899,554)	\$	(1,356,387) \$	(15,037,919)
The Period							
Net Loss Per							
Common							
Share,	\$ (0.04)	\$	(0.02) \$	(0.11)	\$	(0.03)	
Basic and							
diluted							
Weighted Average							
Number							
Of Shares							
Of Shares	130,887,505		65 700 520	102 149 271		50 110 122	
Outstanding	130,007,303		65,722,532	103,148,271		50,110,123	
Outstanding	The contract			1	- Cin o	aia1 atatamanta	
	i ne accom	panyıng	g notes are an integ	grai part of thes	e iinan	ciai statements	

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NOVASTAR RESOURCES LTD.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(Stated in U.S. Dollars)

	NINE MO	PERIOD FROM JUNE 28, 1999 (INCEPTION) TO			
	MARCH 31			MARCH 31	
	2006	RCH 31	2005	2006	
Cash provided by (used in):					
Operating Activities					
Loss for the period	\$ (10,899,554)	\$	(1,356,387)	\$ (15,037,919)	
Items not involving cash:					
Shares issued for other than cash	10,028,491		733,048	12,413,024	
Interest attributable to beneficial conversion	1				
feature					
for notes payable	-		442,813	579,379	
Amortization of equipment	2,910		117	6,723	
Forgiveness of debt	-		-	(169,818)	
Write down of equipment	-		-	12,445	
Changes in non-cash operating working capital					
items:					
Accounts payable and accrued liabilities	459,662		72,528	854,460	
Due to related party	44,363		-	44,363	
Prepaid expenses	(258,444)		-	(258,444)	
Net Cash Used In Operating Activities	(622,572)		(107,881)	(1,555,787)	
Investing Activities	(=0 =0 0)			(60,000)	
Purchase of equipment	(58,200)		-	(60,008)	
Acquisition of long term investment	(700,000)		-	(700,000)	
Net Cash Used In Investing Activities	(758,200)		-	(760,008)	
Financing Activities					
Proceeds from loan payable to shareholder	<u>_</u>		_	16,097	
Issue of common shares	1,596,486		_	1,615,436	
Share subscriptions received	250,000		_	250,000	
Cash paid for redemption of shares	(400,000)		_	(400,000)	
Advances on notes payable	(100,000)		107,881	900,000	
Cash acquired on acquisition of subsidiary	-		-	778	
Net Cash Provided By Financing Activities	1,446,486		107,881	2,382,311	
The Cash Florided by Findhellig Hellythes	1,110,100		107,001	2,302,311	
Net Increase (Decrease) In Cash	65,714		-	66,516	
	•				
Cash, Beginning Of Period	802		-	-	

CUMULATIVE

Cash, End Of Period	\$	66,516	\$	- \$	66,516		
Supplemental Disclosure of Cash Flow Informat	ion						
Cash paid during the period:							
Interest paid	\$	-	\$	- \$	-		
Income taxes paid	\$	-	\$	- \$	-		
The accompanying notes are	an integ	ral part of the	ese financi	ial statements			
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NOVASTAR RESOURCES LTD.

(An Exploration Stage Company)

CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY (DEFICIENCY)

PERIOD FROM JUNE 28, 1999 (INCEPTION) TO MARCH 31, 2006 (Unaudited) (Stated in U.S. Dollars)

	COMMO	ON STOCK	COMMON : PURCH WARRA	ASE	ADDITIONAL PAID-IN	DEFERRED	SHAR SUBSCRIP
	SHARES	AMOUNT	WARRANTS		CAPITAL	COMPENSATION	RECEIV
Issuance of shares to founders	3,465	\$ 3	- \$	- \$	18,947	-	\$
Net loss for the period	-	-	-	-	-	-	
Balance, June 30, 2000	3,465	3	-	-	18,947	-	
Repurchase of common stock							
consideration of forgiveness of loan	(1,445)	(1)	-	-	16,098	-	
payable to shareholder	2.020	2			25.045		
Adjustment to number of shares issued and outstanding as a result of the reverse	2,020	2		-	35,045	-	