

NOVASTAR RESOURCES LTD.
Form 10QSB
February 21, 2006
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-QSB

(Mark One)

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

For the quarterly period ended **December 31, 2005**

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

For the transition period from _____ to _____

Commission file number **000-28543**

NOVASTAR RESOURCES LTD.

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

Nevada

(State or other jurisdiction of incorporation or organization)

91-1975651

(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)

1 E. Liberty Street, Suite 6000, Reno, Nevada 89501

(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 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 No

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

108,640,608 shares of common stock issued and outstanding as of February 21, 2006 with a par value of \$0.001 per share.

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

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 December 31, 2005, and its results of operations for the three month and six month periods ended December 31, 2005 and 2004 and its cash flows for the six month periods ended December 31, 2005 and 2004. 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)

SECOND QUARTER FINANCIAL STATEMENTS

DECEMBER 31, 2005

(Unaudited)

(Stated in U.S. Dollars)

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NOVASTAR RESOURCES LTD.**(Formerly Custom Branded Networks, Inc.)****(An Exploration Stage Company)****CONSOLIDATED BALANCE SHEETS****(Unaudited)****(Stated in U.S. Dollars)**

	DECEMBER 31	JUNE 30
	2005	2005
ASSETS		
Current		
Cash	\$ 64,249	\$ 802
Restricted cash	-	94,140
Less: Refundable to subscribers of common stock	-	(94,140)
Advances receivable	9,121	-
	73,370	802
Long Term Investment	150,000	-
Exploration Equipment	58,200	-
	\$ 281,570	\$ 802
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 233,956	\$ 224,980
Due to related party	1,236	-
	235,192	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:		
122,328,363 common shares (June 30, 2005 -	122,329	86,073
86,072,532)		
Additional paid-in capital	9,760,767	3,832,247
Common Stock Purchase Warrants	127,468	495,834
Shares Committed For Issuance	165,219	-
Accumulated Deficit	(9,977,255)	(4,138,365)
Deferred Compensation	(152,150)	(499,967)
	46,378	(224,178)
	\$ 281,570	\$ 802

The accompanying notes are an integral part of these financial statements

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NOVASTAR RESOURCES LTD.**(Formerly Custom Branded Networks, Inc.)****(An Exploration Stage Company)****CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)****(Stated in U.S. Dollars)**

	THREE MONTHS ENDED DECEMBER 31		SIX MONTHS ENDED DECEMBER 31		CUMULATIVE PERIOD FROM INCEPTION JUNE 28 1999 TO DECEMBER 31 2005
	2005	2004	2005	2004	
Revenue	\$ -	\$ -	\$ -	\$ -	\$ 184,162
Expenses					
Consulting	892,386	-	2,143,020	-	4,640,933
Interest attributable to beneficial conversion feature for notes payable	-	15,560	-	31,120	579,379
Interest other	-	-	-	-	678
Public relations	85,003	-	95,618	-	238,961
Legal	14,055	-	27,072	-	236,668
Administrative	7,771	139	11,506	3,087	931,629
Accounting	25,278	-	42,302	-	121,170
Forgiveness of debt	-	-	-	-	(169,818)
Mineral property acquisition costs	1,720,544	-	1,720,544	-	1,770,544
Mineral property exploration expenses	44,662	-	44,662	-	44,662
Cancellation costs	1,754,166	-	1,754,166	-	1,754,166
Write down of equipment	-	-	-	-	12,445
	4,543,865	15,699	5,838,890	34,207	10,161,417
Net Loss For The Period	\$ (4,543,865)	\$ (15,699)	\$ (5,838,890)	\$ (34,207)	\$ (9,977,255)
Net Loss Per Common Share, Basic and diluted	\$ (0.04)	\$ (0.00)	\$ (0.06)	\$ (0.00)	
Weighted Average Number Of Shares Outstanding	104,547,205	38,372,352	95,744,108	38,372,532	

The accompanying notes are an integral part of these financial statements

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NOVASTAR RESOURCES LTD.**(Formerly Custom Branded Networks, Inc.)****(An Exploration Stage Company)****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)****(Stated in U.S. Dollars)**

	SIX MONTHS ENDED DECEMBER 31		CUMULATIVE PERIOD FROM JUNE 28, 1999 (INCEPTION) TO DECEMBER 31 2005
	2005	2004	
Cash provided by (used in):			
Operating Activities			
Loss for the period	\$ (5,838,890)	\$ (34,207)	\$ (9,977,255)
Items not involving cash:			
Shares issued for other than cash	5,477,946	-	7,862,479
Interest attributable to beneficial conversion feature for notes payable	-	31,120	579,379
Amortization of equipment	-	78	3,813
Forgiveness of debt	-	-	(169,818)
Write down of equipment	-	-	12,445
	(360,944)		