UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) **December 23, 2005**

NOVASTAR RESOURCES LTD.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of incorporation)

000-28543
(Commission File Number)

91-1975651
(IRS Employer Identification No.)

8300 Greensboro Drive, Suite 800, McLean, VA 22102
(Address of principal executive offices and Zip Code)

(775) 686-6182
Registrant's telephone number, including area code

1 E. Liberty Street, Suite 6000, Reno, Nevada 89501
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into a Material Definitive Agreement

On February 14, 2006, Novastar Resources Ltd. (“Novastar Resources”) entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Thorium Power, Inc. (“Thorium Power”), a Delaware corporation that designs proliferation-resistant thorium-based nuclear fuels, and TP Acquisition Corp., a direct wholly-owned subsidiary of Novastar Resources formed in connection with the transactions contemplated by the Merger Agreement. Concurrently therewith, Novastar Resources (1) adopted its 2006 Stock Plan, (2) entered into an employment agreement with Seth Grae, President and Chief Executive Officer of Thorium Power, (3) granted certain nonqualified stock options to Mr. Grae and (4) entered into a subscription agreement with Thorium Power for the purchase of 150,000 shares of common stock of Thorium Power for $4.00 per share. In addition, Novastar Resources has amended and restated its consulting agreement with Alan Gelband. Prior to and in connection with

the execution of the Merger Agreement, Novastar Resources owned 175,000 shares of common stock of Thorium Power and has had an informal strategic relationship with Thorium Power.

Merger Agreement

Upon consummation of the merger, which has been approved by the board of directors of both Novastar Resources and Thorium Power, Thorium Power will become a wholly-owned subsidiary of Novastar Resources, and the combined company will operate under the name Thorium Power Ltd. Under the Merger Agreement, each common share of Thorium Power will be converted into securities of Novastar Resources such that Thorium Power's current stockholders will own approximately 54.5% of the combined company, and each share of Novastar Resources common stock will remain outstanding. In addition, Novastar Resources anticipates the appointment of new directors and officers following the merger. The combined company will be headquartered in the Washington D.C. area, where Thorium Power is presently based.

The merger is conditioned upon, among other things, approvals by stockholders of Novastar Resources and Thorium Power of certain corporate matters, no legal impediment to the merger, the absence of any material adverse effect on Novastar Resources or Thorium Power, completion of due diligence reviews by both companies, the declaration of effectiveness of a registration statement by the Securities and Exchange Commission and any other necessary regulatory approvals. The Merger Agreement contains certain termination rights for both Novastar Resources and Thorium Power, and further provides that, upon termination of the Merger Agreement under specified circumstances, either company may be required to pay the other company a termination fee of $500,000. Novastar Resources and Thorium Power have expressed their strong commitment to consummating the merger and intend to utilize all resources required to do so as soon as practicable.

A copy of the Merger Agreement is included herein as Exhibit 2.1, and a copy of Novastar Resources' press release dated February 14F, 2006 announcing the execution of the Merger Agreement (the "Press Release") is included herein as Exhibit 99.1 Each of the Merger Agreement and the Press Release is incorporated herein by reference. The foregoing description of the Merger Agreement and the description of the Merger Agreement in the Press Release is qualified in its entirety by reference to the full text of the Merger Agreement.

2006 Stock Plan

Effective February 14, 2006, Novastar Resources adopted its 2006 Stock Plan. The 2006 Stock Plan provides for grants of restricted shares of common stock and grants of stock options. Under the terms of the 2006 Stock Plan, Novastar Resources may grant a maximum of 20 million shares of common stock, to consist of no more than 20 million shares issuable under incentive stock options and no more than 10 million restricted shares of common stock. The maximum number of restricted shares that may be granted to one individual in any fiscal year is five million shares, and the maximum number of options that may be granted to one individual in any fiscal year is eight million shares. The 2006 Stock Plan is included herein as Exhibit 10.1 to this Form 8-K.

Employment Agreement and Stock Option Grant

Pursuant to the terms of the Merger Agreement, effective February 14, 2006 Novastar Resources entered into an employment agreement with Seth Grae, wherein Novastar Resources has agreed to pay him an annual salary of $275,000 for performing the duties described in the employment agreement. In addition, Novastar Resources has agreed to issue to Mr. Grae 5,000,000 shares of restricted stock and grant 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 shares of restricted stock vest immediately on issuance and will be subject to the provisions of Rule 144 promulgated under the Securities Act of 1933, as amended. The agreement commences on the date that Novastar Resources obtains D&O liability insurance coverage and terminates on the fifth anniversary of the date of the agreement. The employment agreement with Mr. Grae is included herein as Exhibit 10.2 to this Form 8-K and the stock option agreement with Mr. Grae is included herein as Exhibit 10.3 to this Form 8-K.

Subscription Agreement

Pursuant to the terms of the Merger Agreement, on February 14, 2006, Novastar Resources entered into an agreement with Thorium Power for the acquisition of 150,000 shares of Thorium Power's common stock. The purchase price was $4.00 per share, for a total purchase price of $600,000. As a result of this acquisition and the shares that had been previously acquired, Novastar Resources holds 3.3% of Thorium Power's issued and outstanding common shares. The subscription agreement for the acquisition of the shares of Thorium Power is included herein as Exhibit 10.4 to this Form 8-K.

Amended and Restated Consulting Agreement

On February 6, 2006, Novastar Resources entered into an amended and restated consulting agreement with Alan Gelband for the provision of investment banking and advisory services, particularly in relation to Novastar Resources' business combination with Thorium Power. The amended and restated agreement revised the agreement originally entered into with Mr. Gelband on January 17, 2006.

Item 3.02 Unregistered Sales of Equity Securities

On February 14, 2006, Novastar Resources completed a private placement of 4,208,340 units (each, a "Unit"), at a price of $0.30 per Unit, to 13 accredited investors for total proceeds of $1,262,500. Each Unit consists of one share of common stock of Novastar Resources and one-half of one purchase warrant. Each whole purchase warrant is non-transferable and entitles the holder to purchase one additional share of common stock of Novastar Resources for a period of 12 months, at a price per share of $0.50.

Each investor confirmed in writing that it is an accredited investor and represented its intention to acquire the securities for investment purposes and not with a view to distribution. Novastar Resources did not use, and no person acting on its behalf used, any form of general solicitation or general advertising in connection with this offering. Appropriate legends shall be affixed to the stock certificates to be issued to each investor. Each investor acknowledged that the sale of the securities was not registered under the Securities Act of 1933, as amended, and that the securities could not be resold unless the securities were registered or an exemption from registration was available. As a result of the foregoing, Novastar Resources relied on the provisions of Rule 506 of Regulation D promulgated under the Securities Act of 1933, as amended, for the issuance of the securities.

Pursuant to the agreements with Mr. Gelband discussed above, Novastar Resources issued to Mr. Gelband 2,389,558 restricted shares of common stock on February 13, 2006. Mr. Gelband confirmed that he is an accredited investor and represented his intention to acquire the securities for investment purposes and not with a view to distribution. Mr. Gelband acknowledged that the sale of the securities was not registered under the Securities Act of 1933, as amended, and that the securities could not be resold unless the securities were registered or an exemption from registration was available. As a result of the foregoing, Novastar Resources relied on the provisions of Rule 506 of Regulation D promulgated under the Securities Act of 1933, as amended, for the issuance of the securities.

Pursuant to the terms of the employment agreement with Seth Grae, Novastar Resources has agreed to issue 5,000,000 restricted shares of common stock to Mr. Grae, and grant 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 stock options shall be granted under the newly adopted 2006 Stock Plan. As a result of the relationship with Mr. Grae, Novastar Resources relied on the provisions of Rule 506 of Regulation D promulgated under the Securities Act of 1933, as amended, for the issuance of the securities.

Item 5.02. Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers

Pursuant to a Form 8-K filed on December 23, 2005, Novastar Resources announced the appointment of Cornelius J. Milmoe as a member of its board of directors. Subsequently, Mr. Milmoe has advised Novastar Resources that he would accept this appointment once Novastar Resources obtains appropriate D&O insurance coverage, which is

anticipated to be received shortly. Until that time, Novastar Resources' board of directors consists of Paul G. Carter and Dr. Charles H. Merchant.

Seth Grae, currently President and Chief Executive Officer of Thorium Power, is expected to assume shortly the positions of President, Chief Executive Officer and a director of Novastar Resources in accordance with the terms of the Merger Agreement. At that time, Dr. Charles Merchant, Chief Operating Officer and Interim Chief Executive Officer of Novastar Resources, is expected to resign from these positions and will serve as Novastar Resources' Head of Mining Operations.

Seth Grae has played an active role in all business activities of Thorium Power since the company's founding. 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 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. He represented refuseniks pro bono who were nuclear scientists, in securing exit visas from the Soviet Union. Mr. Grae led the efforts that resulted in Thorium Power becoming one of the first Western companies to contract with Russian nuclear institutes and become one of the first grant recipients from the United States Department of Energy for nuclear non-proliferation related work in Russia. 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 MBA from Georgetown University.

Item 7.01. Regulation FD Disclosure

On February 8, 2006, Novastar Resources repurchased 5,000,000 of its restricted shares of common stock from a shareholder. The stock was acquired at the price of $0.08 per share, for a total expenditure of $400,000. The stock will be cancelled and returned to treasury.

Item 9.01. Financial Statements and Exhibits.

2.1 Agreement and Plan of Merger dated as of February 14, 2006 by and among Novastar Resources Ltd., TP Acquisition Corp. and Thorium Power, Inc.

10.1 2006 Stock Plan of Novastar Resources Ltd.

10.2 Employment Agreement dated as of February 14, 2006 bewteen Novastar Resources Ltd. and Seth Grae.

10.3 Stock Option Agreement dated as of February 14, 2006 bewteen Novastar Resources Ltd. and Seth Grae.

10.4 Subscription Agreement dated February 14, 2006 between Novastar Resources Ltd. and Thorium Power, Inc.

10.5 Amended and Restated Consulting Agreement dated February 6, 2006 between Novastar Resources Ltd. and Alan Gelband.

10.6 Form of Subscription Agreement between Novastar Resources Ltd. and investors in the private placement closed on February 14, 2006.

99.1 Press Release of Novastar Resources Ltd. dated February 14, 2006.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NOVASTAR RESOURCES LTD.

/s/ Charles Merchant
By: Charles Merchant
Title: Chief Operating Officer and Director
Date: February 21, 2006

AGREEMENT AND PLAN OF MERGER

DATED AS OF FEBRUARY 14, 2006

BY AND AMONG

NOVASTAR RESOURCES LTD.,

TP ACQUISITION CORP.,

AND

THORIUM POWER, INC.

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AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (this "***Agreement***") is made as of February 14, 2006, by and among Novastar Resources Ltd., a Nevada corporation ("***Novastar***"), TP Acquisition Corp., a Delaware corporation and wholly-owned subsidiary of Novastar ("***Acquisition Sub***"), and Thorium Power, Inc., a Delaware corporation ("***Thorium Power***"). Novastar, Acquisition Sub, and Thorium Power are each referred to herein as a "***Party***" or collectively as the "***Parties***".

BACKGROUND

Novastar is the owner of certain rights to properties that Novastar believes may contain Thorium deposits and other rare earth minerals. Thorium Power designs proliferation resistant thorium based nuclear fuels. The boards of directors of Novastar and Thorium Power believe that a business combination of Novastar and Thorium Power would be in the best interests of the stockholders of both companies.

This Agreement contemplates a transaction in which Novastar will acquire one hundred percent (100%) of the outstanding common stock of Thorium Power through a reverse merger (the "***Merger***") of Acquisition Sub with and into Thorium Power.

As a result of the Merger, Thorium Power will become a wholly-owned subsidiary of Novastar and the stockholders of Thorium Power will become stockholders of Novastar.

NOW, THEREFORE, in consideration of the premises and the mutual promises herein made, intending to be legally bound hereby, and in consideration of the representations, warranties, and covenants herein contained, the Parties agree as follows.

AGREEMENT

1. THE MERGER AND CONSIDERATION; CERTAIN DEFINITIONS.

1.1 The Merger.

(a) *Structure*. Subject to the terms and provisions of this Agreement, and in accordance with Section 251 of the General Corporation Law of the State of Delaware (the ***"DGCL***"), at the Effective Time, Acquisition Sub shall be merged with and into Thorium Power. Thorium Power will be the surviving corporation of the Merger (sometimes hereinafter called the "***Surviving Corporation***") and will continue its corporate existence under the laws of the State of Delaware as a subsidiary of Novastar. At the Effective Time, the separate corporate existence of Acquisition Sub shall cease. For federal income tax purposes, the parties intend that the Merger shall qualify as a tax-free reorganization under Section 351 and Section 368 of the Internal Revenue Code of 1986, as amended (the "***Code***").

(b) *The Closing.* The closing of the transactions contemplated by this Agreement (the "***Closing***") shall take place at the offices of Pillsbury Winthrop Shaw Pittman, 1540 Broadway, New York, New York 10036, commencing at 10:00 a.m. local time on the later to occur of (a) the business day following the date on which all the conditions set forth in Sections 4 and 5 have been satisfied or waived (other than conditions with respect to actions the respective Parties will take at the Closing itself); or (b) such other date as the parties may mutually determine (in each case, the "***Closing Date***").

(c) *Actions At The Closing.* At the Closing, (i) Novastar and Acquisition Sub will deliver to Thorium Power the various certificates, instruments, and documents referred to in Section 4 below, (ii) Thorium Power will deliver to Novastar the various certificates, instruments, and documents referred to in Section 5 below, and (iii) the Surviving Corporation shall file with the Secretary of State of the State of Delaware a properly executed Certificate of Merger.

(d) *Effect of Merger.*

(i) General. The Merger shall become effective at the time (the "***Effective Time***") the Surviving Corporation files the Certificate of Merger with the Secretary of State of the State of Delaware. The Merger shall have the effect set forth in the DGCL.

(ii) Certificate of Incorporation. The Certificate of Incorporation of the Surviving Corporation will be the Certificate of Incorporation of Acquisition Sub in effect immediately prior to the Merger.

(iii) Bylaws. The Bylaws of the Surviving Corporation will be the Bylaws of Acquisition Sub in effect immediately prior to the Merger.

(iv) Conversion of Capital Stock of Acquisition Sub. At and as of the Effective Time, each issued and outstanding share of capital stock of Acquisition Sub will be canceled and retired and shall cease to exist and neither shares of capital stock of the Surviving Corporation nor any cash, property, rights, other securities or obligations of the Surviving Corporation shall be issued therefor, except as provided in Section 1.2 below.

(v) Directors and Officers. The directors and officers of Thorium Power will be the directors and officers of the

Surviving Corporation as of the Effective Time (retaining their respective positions and terms of office).

1.2 Merger Consideration.

(a) *Purchase Price.* At the Closing, each issued and outstanding share of Thorium Power's common stock, $0.05 par value per share (the "***Thorium Power Common Stock***") other than shares of Thorium Power Common Stock held by Novastar shall be converted into the right to receive a number of shares of Novastar's common stock, $0.001 par value per share (the "***Novastar Common Stock***") equal to the Conversion Ratio and each Exchangeable Security shall be converted into the right to receive a number of shares of Novastar Common Stock as specified in a resolution to be adopted by the board of directors of Thorium Power prior to the Closing; provided, however, that the total number of shares of Novastar Common Stock issued to the holders of Exchangeable Securities, in the aggregate, will not exceed 50% of the number represented by "X" in the definition of Conversion Ratio. All shares of Thorium Power Common Stock and all Exchangeable Securities converted in accordance with this paragraph will no longer be outstanding and will automatically be cancelled and retired and shall cease to exist, and each holder of a certificate representing any such shares of Thorium Power Common Stock or certificate or other instrument evidencing any such Exchangeable Securities shall cease to have any rights with respect thereto, except the right to receive the shares of Novastar Common Stock to be issued in consideration therefor upon the surrender of such certificate or other instrument in accordance with Section 1.2(c), without interest. Any securities convertible into or exercisable for shares of Thorium Power Common Stock (the "***Thorium Power Convertible Securities***") immediately prior to the Effective Time (other than the Exchangeable Securities) will become, at the Effective Time, securities convertible into or 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 Effective Time. Appropriate adjustment will be made to any exercise or conversion price of such securities.

(b) *Cancellation of Thorium Power Common Stock; Issuance of Thorium Power Common Stock To Novastar*. At and as of the Effective Time, each issued and outstanding share of Thorium Power Common Stock, the Exchangeable Securities, the other Thorium Power Convertible Securities, and any other equity interest in Thorium Power issued and outstanding or held in Thorium Power's treasury shall automatically be canceled and extinguished and no payment shall be made in respect thereof except according to the provisions of this Agreement. No share of

Thorium Power Common Stock or Exchangeable Security outstanding prior to the Effective Time shall be deemed to be outstanding or to have any rights after the Effective Time. After the Effective Time, there shall be no further registration of transfers of Thorium Power Common Stock or Exchangeable Securities outstanding immediately prior to the Effective Time on Thorium Power's security transfer books. At the Effective Time, Thorium Power shall issue a stock certificate to and in the name of Novastar for ten shares of Thorium Power Common Stock.

(c) *Exchange of Certificates.*

(i) As of the Effective Time, Novastar shall enter into an agreement (the terms of which shall be reasonably satisfactory to Thorium Power) with such bank or trust company as may be designated by Novastar (the "***Exchange Agent***"), which will provide that Novastar shall deposit with the Exchange Agent as of the Effective Time, for the benefit of the holders of shares of Thorium Power Common Stock and the Exchangeable Securities, for exchange in accordance with this Section 1, through the Exchange Agent, certificates representing the number of duly authorized whole shares of Novastar Common Stock issuable in connection with the Merger (such shares of Novastar Common Stock being referred to herein as the "***Exchange Fund***").

(ii) As soon as reasonably practicable after the Effective Time, and in any event within ten business days after the Effective Time, Novastar shall cause the Exchange Agent to mail to each holder of record of a certificate or certificates or other instrument or instruments which immediately prior to the Effective Time represented outstanding shares of Thorium Power Common Stock or Exchangeable Securities (the "***Certificates***") whose shares are converted pursuant to Section 1.2(a) a letter of transmittal in customary form, and instructions for use in effecting the surrender of the Certificates in exchange for certificates representing whole shares of Novastar Common Stock. Upon surrender of a Certificate for cancellation to the Exchange Agent, together with such letter of transmittal duly executed and completed in accordance with its terms, the holder of such Certificate shall be entitled to receive in exchange therefor a certificate representing that number of shares of Novastar Common Stock, which such holder has the right to receive pursuant to the provisions of this Agreement and the Certificate so surrendered shall forthwith be cancelled. The Exchange Agent shall have discretion to determine

and apply reasonable rules and procedures relating to the surrender for exchange of a Certificate that is lost or destroyed. In no event shall the holder of any Certificate be entitled to receive any fractional shares or interest on any funds to be received in the Merger.

(iii) Until surrendered as contemplated by Section 1.2(c)(ii), and subject to the rights of appraisal of any stockholder, each Certificate shall be deemed at any time after the Effective Time 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 or Exchangeable Securities represented thereby have been converted as contemplated by this Agreement.

(iv) No certificate or scrip representing fractional shares of Novastar Common Stock will be issued in the Merger upon the surrender for exchange of Certificates, and any such fractional share interests will not entitle the owner thereof to any rights of a stockholder of Novastar. 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.

1.3 Appraisal Rights.

(a) Notwithstanding Section 1.2 above, shares of Thorium Power Common Stock which are held by a holder of Thorium Power Common Stock immediately prior to the Effective Time who has properly preserved and perfected appraisal rights with respect to such shares pursuant to Section 262 of the DGCL ("***Dissenting Stockholder***"), shall not be converted into Novastar Common Stock as specified in Section 1.2 hereof, and instead shall be treated in accordance with that provision of the DGCL, unless and until the right of such Dissenting Stockholder under Section 262 of the DGCL to payment for such Dissenting Stockholder's shares shall cease.

(b) If any Dissenting Stockholder shall effectively withdraw or lose (through failure to perfect or otherwise) such Dissenting Stockholder's right to payment for any of such Dissenting Stockholder's shares under Section 262 of the DGCL, as the case may be, such Dissenting Stockholder's shares shall automatically be converted into Novastar Common Stock on the terms specified in Section 1.2 above.

(c) Each Dissenting Stockholder who becomes entitled, pursuant to the provisions of Section 262 of the DGCL, to payment of the fair value of any such Dissenting Stockholder's shares shall receive payment therefor from Thorium Power, and following the Merger, Novastar.

1.4 Certain Definitions.

As used in this Agreement:

(a) "***Affiliate***" means, with respect to any Person, any other Person that controls, is controlled by, or is under common control with such Person.

(b) "***Confidential Information***" means (whether disclosed in writing or orally) any and all non-public and/or proprietary information with respect to the business, services, operations, assets, properties, financial condition, plans and prospects of a Party and its Subsidiaries and Affiliates including, without limitation, Intellectual Property and information relating to acquisition targets and acquisition strategies, pricing for acquisitions, financial information or projections and other information concerning acquisition targets and potential acquisition targets, proposed financing arrangements, customers and vendors, business strategies, plans and prospects, agreements, business records, information relating to intellectual property, marketing and sales strategies, pricing strategies, programs, source codes, object codes, algorithms and the related documentation, software designs (in each case regardless of the medium in which it is maintained or stored), internet strategies, URL designations and any other information which a Party designates that it has received pursuant to a confidentiality obligation to another Person, together with all derivative works, copies, reports, summaries, studies, compilations and other documentation which contain or otherwise reflect or are generated from any of the foregoing.

(c) "***Contract***" means any note, bond, mortgage, indenture, guarantee, other evidence of indebtedness, license, lease, option, employment agreement, contract, undertaking, understanding, covenant, agreement or other instrument, whether oral or written.

(d) "***Conversion Ratio***" means the quotient of (X minus ES) divided by TO, where

ES = the number of shares of Novastar Common Stock issuable in the aggregate to the holders of the Exchangeable Securities in accordance with Section 1.2(a) hereof;

TO = the number of shares of Thorium Power Common Stock outstanding immediately prior to the Closing; and

X = the product of **M** multiplied by **Y** (and shall equal, in the aggregate, the total number of shares of Novastar Common Stock issued in exchange for all of the equity securities of Thorium Power other than the Thorium Power Convertible Securities that are not Exchangeable Securities), where

M = 1.22471910112, and

Y = the sum of **NO** + **SS** + **FS** + **DS**, where

NO = the number of shares of Novastar Common Stock outstanding on the date hereof;

SS = the number of shares of Novastar Common Stock issued to Seth Shaw and Sean Mulhearn between the date hereof and the Closing Date for services rendered by Seth Shaw and Sean Mulhearn to Novastar (it being understood that for purposes of determining SS, any securities issued to Seth Shaw and Sean Mulhearn during such period that are convertible into or exercisable or exchangeable for Novastar Common Stock shall be deemed to have been so converted, exercised or exchanged);

FS = 4,180,000 plus the number of additional shares of Novastar Common Stock issued between the date hereof and the Closing Date in order to raise the aggregate $2,750,000 since January 1, 2006, as described in Section 4.10 (it being understood that for purposes of determining FS, any securities issued in such financing that are convertible into or exercisable or exchangeable for Novastar Common Stock shall be deemed to have been so converted, exercised or exchanged); and

DS = the number of shares of Novastar Common Stock issued to directors and officers of Novastar (other than Seth Grae) between the date hereof and the Closing Date, which number shall not exceed 1,000,000 (it being understood that for purposes of determining DS, any securities issued to such directors and officers that are convertible into or exercisable or exchangeable for Novastar Common Stock shall be deemed to have been so converted, exercised or exchanged).

(e) "***Employee Benefit Plan***" means (a) any "employee pension benefit plan" (as defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("***ERISA***")); (b) any "employee welfare benefit plan" (as defined in Section 3(1) of ERISA); and (c) any other written or oral plan, agreement,

program, policy, practice, contract, understanding, or other arrangement or commitment of any kind providing for, either directly or indirectly, compensation, bonuses, vacation, termination pay, performance awards, fringe benefits, insurance coverage, severance benefits, disability benefits, deferred compensation, stock options, stock purchase, phantom stock, stock appreciation or any type of stock-related awards, early retirement benefits, welfare benefits, one or more severance plans, any other form of incentive compensation or post-retirement compensation or any other employee benefit of any kind, whether formal or informal, funded or unfunded, and whether or not legally binding, which currently is or has been sponsored, maintained, contributed to, or required to be contributed to, by a Party, any Subsidiary of a Party, or any ERISA Affiliate, or for which a Party, any Subsidiary of a Party, or any ERISA Affiliate has or has had any obligation or any liability of any nature, contingent or otherwise, or for which there is a reasonable expectation of such obligation or liability, on or before the Closing for the benefit of any present or former employees, retirees, directors or independent contractors (or their beneficiaries, dependents or spouses) of a Party, any Subsidiary of a Party, or any ERISA Affiliate.

(f) "***Employee Pension Benefit Plan***" has the meaning set forth in Section 3(2) of ERISA.

(g) "***Employee Welfare Benefit Plan***" has the meaning set forth in Section 3(1) of ERISA.

(h) "***Encumbrance***" means a claim, lien, mortgage, encumbrance, pledge or other security interest of any kind.

(i) "***Environmental Laws***" means any federal, state or local law or ordinance or regulation pertaining to the protection of human health or the environment, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act, 42 USC ss.ss.9601 et seq., the Emergency Planning and Community Right-to-Know Act, 42 USC ss.ss. 11001 et seq., and the Resource Conservation and Recovery Act, 42 USC ss.ss. 6901 et seq.

(j) "***ERISA Affiliate***" means any entity which with respect to a Party or Subsidiary of a Party is or was a member of (i) a controlled group of corporations (as defined in Section 414(b) of the Code); (ii) a group of trades or businesses under common control (as defined in Section 414(c) of the Code); or (iii) an affiliated service group (as defined under Section 414(m) of the Code or the regulations under Section 414(o) of the Code), any of which includes or included a Party or any Subsidiary of a Party.

(k) "***Exchangeable Securities***" means the Thorium Power Convertible Securities that have an exercise price of $5.00 or less.

(l) "***GAAP***" means United States generally accepted accounting principles, consistently applied.

(m) "***Governmental Authorizations***" means any approval, consent, license, permit, waiver, or other authorization issued, granted, given, or otherwise made available by or under the authority of any Governmental Entity or pursuant to any Legal Requirement.

(n) "***Governmental Entity***" means any:

(i) nation, state, county, city, town, village, district, or other political jurisdiction of any nature;

(ii) federal, state, local, municipal, foreign, or other government;

(iii) governmental or quasi-governmental authority of any nature (including any governmental agency, branch, department, official, or entity and any court or other tribunal);

(iv) multi-national organization or body; or

(v) body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory, or taxing authority or power of any nature.

(o) "***Hazardous Substance***" means asbestos, polychlorinated biphenyls, ureaformaldehyde, and any other materials classified as hazardous or toxic under any Environmental Laws.

(p) "***Intellectual Property***" means with respect to any Party and its Subsidiaries, collectively (a) trademarks, trade names, service marks, service names, domain names, uniform resource locators (URLs), keywords, designs, logos and assumed names; (b) copyrights and other rights in original works of authorship; (c) patents and industrial design registrations or applications (including any continuations, divisionals, continuations-in-part, renewals, reissues, and applications for any of the foregoing); (d) computer software programs or applications (in both source and object code versions), including any related technical documentation; (e) trade secrets and invention disclosures, that are owned by such Party, its Subsidiaries or any other Person and that have been or are used by such Party or its Subsidiaries in the operation of their respective businesses, or that are used in or necessary for the conduct of the respective businesses of such

Party or its Subsidiaries as currently conducted or contemplated to be conducted; and (f) know-how and general intangibles of like nature, together with all goodwill, registrations and applications related to any of the foregoing whether or not protectable as a matter of law.

(q) "***Legal Requirement***" means any federal, state, local, municipal, foreign, international, multinational, or other administrative order, constitution, law, ordinance, principle of common law, regulation, statute, or treaty.

(r) "***License***" means a license, permit, certification, qualification, or franchise issued by any Governmental Entity.

(s) "***Material Adverse Effect***" means a material adverse effect (financial or otherwise) on the business, assets, liabilities, condition, property, prospects or results of operations of a Party.

(t) "***Person***" means any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, labor union, or other entity or Governmental Entity.

(u) "***Proceeding***" means a claim, suit, action, inquiry, investigation or proceeding.

(v) "***Required Consents***" means the consents, approvals, orders, authorizations, notifications, notices, estoppel certificates, releases, registrations, ratifications, declarations, filings, waivers, exemptions or variances (each a "***Consent***") with respect to any License or Legal Requirement or otherwise as are set forth on Schedule 2.4 hereof with respect to Thorium Power, and Schedule 3.3 with respect to Novastar.

(w) "***SEC***" means the United States Securities and Exchange Commission.

(x) "***Subsidiary***" means any Person with respect to which a specified Person (or a Subsidiary thereof) owns a majority of the equity interests or has the power to vote or direct the voting of sufficient securities to elect a majority of the directors.

(y) "***Tax***" means any tax (including any income tax, capital gains tax, value-added tax, sales tax, property tax, gift tax, or estate tax), levy, assessment, tariff, duty (including any customs duty), deficiency, or other fee, and any related charge or amount (including any fine, penalty, interest, or addition to tax), imposed, assessed, or collected by or under the authority of any

Governmental Entity or payable pursuant to any tax-sharing agreement.

(z) "***Tax Return***" means any return (including any information return), report, statement, schedule, notice, form, or other document or information filed with or submitted to, or required to be filed with or submitted to, any Governmental Entity in connection with the determination, assessment, collection, or payment of any Tax or in connection with the administration, implementation, or enforcement of or compliance with any Legal Requirement relating to any Tax.

(aa) "***Transaction Documents***" means this Agreement and each other agreement, instrument, document, and certificate to be executed and delivered by the Parties pursuant to this Agreement.

1.5 Other Definitions.

The definitions of other terms used in this Agreement may be found as follows:

(a) "***Acquisition Sub***" is defined in the introductory paragraph.

(b) "***Agent***" or "***Agents***" is defined at Section 8.

(c) "***Agreement***" is defined in the introductory paragraph.

(d) "***Alternative Proposal***" is defined at Section 6.12(b).

(e) "***Alternative Proposal Notice***" is defined at Section 6.12(d).

(f) "***Certificates***" is defined at Section 1.2(c)(ii).

(g) "***Closing***" is defined at Section 1.1(b).

(h) "***Closing Date***" is defined at Section 1.1(b).

(i) "***Code***" is defined at Section 1.1(a).

(j) "***Consent***" is defined at Section 1.4(v).

(k) "***Conversion Ratio***" is defined at Section 1.4(d).

(l) "***Costs***" is defined at Section 7.1.

(m) "***DGCL***" is defined at Section 1.1(a).

(n) "***Dissenting Stockholder***" is defined at Section 1.3(a).

(o) "***Effective Time***" is defined at Section 1.1(d)(i).

(p) "***ERISA***" is defined at Section 1.4(e).

(q) "***Exchange Agent***" is defined in Section 1.2(c)(i).

(r) "***Exchange Fund***" is defined in Section 1.2(c)(i).

(s) "***Indemnification Period***" is defined at Section 7.3.

(t) "***Indemnitee***" is defined at Section 7.4(a).

(u) "***Indemnitor***" is defined at Section 7.4(a).

(v) "***Indemnity Certificate***" is defined at Section 7.4(a).

(w) "***Latest Novastar Balance Sheet***" is defined at Section 3.11(a).

(x) "***Latest Thorium Power Balance Sheet***" is defined at Section 2.5(a).

(y) "***Merger***" is defined in the Recitals.

(z) "***Novastar***" is defined in the introductory paragraph.

(aa) "***Novastar Common Stock***" is defined at Section 1.2(a).

(bb) "***Novastar Disclosure Documents***" is defined at Section 3.5.

(cc) "***Novastar Financial Statements***" is defined at Section 3.11(a).

(dd) "***Novastar Material Contracts***" is defined at Section 3.16(a).

(ee) "***Party***" or "***Parties***" is defined in the introductory paragraph.

(ff) "***Registration Statement***" is defined at Section 3.8.

(gg) "***Representatives***" is defined at Section 6.12(a).

(hh) "***Superior Proposal***" is defined at Section 6.12(d).

(ii) "***Surviving Corporation***" is defined at Section 1.1(a).

(jj) "***Tax Liability***" is defined in Section 2.12(c).

(kk) "***Thorium Power***" is defined in the introductory paragraph.

(ll) "***Thorium Power Common Stock***" is defined at Section 1.2(a).

(mm) "***Thorium Power Convertible Securities***" is defined at Section 1.2(a).

(nn) "***Thorium Power Financial Statements***" is defined at Section 2.5(a).

(oo) "***Thorium Power Material Contracts***" is defined at Section 2.11(a).

(pp) "***1933 Act***" is defined at Section 3.5.

(qq) "***1934 Act***" is defined at Section 3.5.

2. REPRESENTATIONS AND WARRANTIES OF THORIUM POWER.

Thorium Power represents and warrants to Novastar and Acquisition Sub that each of the following statements is true and correct as of the date hereof (unless stated as of another date):

2.1 Organization.

Thorium Power is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has the requisite corporate power and authority to own, lease and operate its properties and to carry on its business as it is now being conducted. Thorium Power is duly qualified or licensed to do business as a foreign corporation and is in good standing in each jurisdiction in which the nature of the business conducted by it makes such qualification or licensing necessary, except where the failure to so qualify would not have a Material Adverse Effect. Thorium Power has delivered to Novastar true, correct and complete copies of the Certificate of Incorporation and Bylaws and other organizational documents, as currently in effect, of Thorium Power. Thorium Power does not have any direct or indirect Subsidiaries or hold any equity or ownership interest of any kind, whether beneficially or of record, in any Person.

2.2 Capitalization.

(a) The authorized capital stock of Thorium Power, the issued and outstanding capital stock of Thorium Power and the record and beneficial ownership of the capital stock of Thorium Power is set forth on Schedule 2.2. The shares of Thorium Power Common Stock are duly authorized, validly issued, fully paid and non-assessable. Except as contemplated by this Agreement or set forth on Schedule 2.2, there are no (i) options, warrants, calls, preemptive rights, subscriptions or other rights, convertible securities, agreements or commitments of any character obligating, now or in the future, Thorium Power to issue, transfer or sell any shares of capital stock, options, warrants, calls or other equity interest of any kind whatsoever in Thorium Power or securities convertible into or exchangeable for such shares or equity interests, (ii) contractual obligations of Thorium Power to repurchase, redeem or otherwise acquire any capital stock or equity interest of Thorium Power or (iii) voting trusts, proxies or similar agreements

to which Thorium Power is a party with respect to the voting of the capital stock of Thorium Power.

(b) Except as set forth on Schedule 2.2 and except for the equity interest of the Subsidiaries of Thorium Power and temporary investments of cash in marketable securities, Thorium Power does not own any outstanding shares of capital stock (or other equity interests of entities other than corporations) of any Person.

2.3 Authorization; Validity of Agreement.

Thorium Power has the requisite power and authority to execute, deliver and perform this Agreement and each of the other Transaction Documents to be executed and delivered by Thorium Power pursuant to this Agreement, and to assume and perform any obligations hereunder and thereunder, and to consummate the transactions contemplated hereby and thereby. Each of this Agreement and the other Transaction Documents to be executed and delivered by Thorium Power pursuant to this Agreement have been duly authorized, executed and delivered by Thorium Power and are valid and binding obligations of Thorium Power, enforceable against it in accordance with their respective terms, except as limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application referring to or affecting enforcement of creditors' rights and general principles of equity.

2.4 No Violations; Consents And Approvals.

(a) Except as set forth on Schedule 2.4, the execution, delivery and performance of each of this Agreement and the other Transaction Documents by Thorium Power do not, and the consummation by it of the transactions contemplated hereby and thereby will not: (i) violate any provision of its Certificate of Incorporation, Bylaws or other organizational documents, (ii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, amendment, cancellation or acceleration) under any of the terms, conditions or provisions of any Thorium Power Material Contract, after giving effect to any Required Consents, or (iii) violate any Legal Requirement applicable to Thorium Power or any of their respective properties or assets.

(b) No Consent with, to or of any legislative or executive agency or department or other regulatory service, authority or agency or any court, arbitration panel or other tribunal or judicial authority of any Governmental Entity or Person, is required in connection with the execution, delivery and performance of this Agreement or any of the other Transaction Documents by Thorium Power or the consummation by Thorium Power of the transactions contemplated hereby and thereby, except the Required Consents set forth on Schedule 2.4 hereof.

2.5 Financial Statements.

(a) Attached as Schedule 2.5 are the unaudited balance sheets of Thorium Power as of December 31, 2005 (the "***Latest Thorium Power Balance Sheet***") and December 31, 2004, together with the related unaudited statements of income for the fiscal years then ended (collectively, the "***Thorium Power Financial Statements***").

(b) The Thorium Power Financial Statements have been prepared by Thorium Power and have been derived from, and agree with, the books and records of Thorium Power and fairly present the financial position of Thorium Power as of the respective dates thereof and the results of operations of Thorium Power for the respective periods set forth therein. The Thorium Power Financial Statements have been prepared in accordance with GAAP as of the dates and for the periods involved, subject to the absence of notes.

(c) Thorium Power maintains a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP and to maintain assets accountability, and (iii) access to assets is permitted only in accordance with management's general or specific authorization, except for any controls the absence of which would not result in a Material Adverse Effect.

2.6 Operation of Business.

(a) Since the date of the Latest Thorium Power Balance Sheet, Thorium Power and each Subsidiary of Thorium Power has continued to operate its business in a manner and system of operation employed immediately prior to the date of the Latest Thorium Power Balance Sheet, and Thorium Power has used its commercially reasonable efforts to prevent harm or damage to the reputation of Thorium Power.

(b) Except as specifically contemplated by this Agreement or as set forth on Schedule 2.6, since the date of the Latest Thorium Power Balance Sheet, Thorium Power has not (i) incurred any liabilities, except in the ordinary course of business consistent with past practice; (ii) paid any obligation or liability, or discharged or satisfied any Encumbrance other than those securing current liabilities, in each case in the ordinary course of business; (iii) mortgaged, pledged or subjected to any Encumbrance any of its assets, tangible or intangible, except in the ordinary course of business; (iv) sold, transferred or leased any of its assets; (v) suffered any material physical damage, destruction or loss (whether or not covered by insurance) affecting its properties, business or prospects; (vi) entered into any transaction other than in the ordinary course of business; (vii) encountered any labor

difficulties or labor union organizing activities; (viii) issued or sold any shares of capital stock or other securities or granted any options, warrants, or other purchase rights with respect thereto other than pursuant to this Agreement; (ix) made any acquisition or disposition of any assets or become involved in any other material transaction, including, without any limitation, any merger or consolidation with, purchase of all or part of the assets of, or acquisition of any business of any proprietorship, firm, association, corporation or other business organization or division thereof; (x) increased the compensation payable, or to become payable, to any of its directors or employees or increased the scope or nature of any fringe benefits provided for its employees or directors; (xi) made any capital investment in, any loan to or any acquisition of the securities or assets of any other Person; (xii) canceled, compromised, waived or released any material right or claim; (xiii) made any change in employment terms for any of its officers or employees; (xiv) made or pledged to make any charitable contribution or other capital contribution outside the ordinary course of business; (xv) violated any Legal Requirement, if such violation could have resulted in a Material Adverse Effect on Thorium Power, or failed to maintain all governmental licenses and approvals required to operate its business as it is currently being conducted; or (xvi) agreed or committed, whether in writing or otherwise, to do any of the foregoing other than pursuant to the Transaction Documents and the transactions contemplated hereby and thereby. In addition, since the date of the Latest Thorium Power Balance Sheet, Thorium Power has not accelerated, terminated, modified or canceled any material Contract to which it is a party or by which it or its assets are bound.

(c) Since the date of the Latest Thorium Power Balance Sheet, no event, condition or circumstance has occurred that could, or could be reasonably likely to, have a Material Adverse Effect on Thorium Power.

2.7 No Undisclosed Liabilities.

(a) Except as set forth on Schedule 2.7, Thorium Power has no liabilities (whether accrued, contingent, known, or otherwise) other than those that (i) are set forth or reserved against on the Latest Thorium Power Balance Sheet; or (ii) were incurred in the ordinary course of business since the date of the Latest Thorium Power Balance Sheet.

(b) The accounts payable of Thorium Power are set forth on Schedule 2.7. All such accounts payable are the result of bona fide transactions in the ordinary course of business.

2.8 Litigation; Compliance With Law; Licenses And Permits.

(a) Except as set forth on Schedule 2.8, there is no Proceeding pending, nor, to Thorium Power's knowledge, is there any Proceeding threatened, that involves or affects Thorium Power, by or before any Governmental Entity, court, arbitration panel or any other Person.

(b) Since January 1, 2004, Thorium Power has complied with all applicable Legal Requirements, including but not limited to Legal Requirements relating to Taxes, zoning, building codes, antitrust, occupational safety and health, industrial hygiene, environmental protection, water, ground or air pollution, the generation, handling, treatment, storage or disposal of Hazardous Substances, consumer product safety, product liability, hiring, wages, hours, employee benefit plans and programs, collective bargaining and the payment of withholding and social security Taxes. Except as set forth on Schedule 2.8, since January 1, 2005, Thorium Power has not received any written notice of any violation or alleged violation of any Legal Requirement from a Governmental Entity or others.

(c) Except as set forth on Schedule 2.8, Thorium Power has every License and every Consent by or on behalf of any Person required for it to conduct its business as presently conducted. All such Licenses and Consents are in full force and effect and Thorium Power has not received notice of any pending cancellation or suspension of any thereof nor, to Thorium Power's knowledge, is any cancellation or suspension thereof threatened. The applicability and validity of each such License and Consent will not be adversely affected by the consummation of the transactions contemplated by this Agreement or any other Transaction Document.

2.9 Employee Benefit Plans; ERISA.

(a) Schedule 2.9 lists each Employee Benefit Plan that Thorium Power maintains or to which Thorium Power contributes.

(b) To the knowledge of Thorium Power, each such Employee Benefit Plan (and each related trust, insurance contract, or fund) has been maintained, funded and administered in accordance with the terms of such Employee Benefit Plan and complies in form and in operation in all respects with the applicable requirements of ERISA and the Code, except where the failure to comply would not have a Material Adverse Effect.

(c) All contributions (including all employer contributions and employee salary reduction contributions) which are due have been made to each such Employee Benefit Plan which is an Employee Pension Benefit Plan. All premiums or other payments which are

due have been paid with respect to each such Employee Benefit Plan which is an Employee Welfare Benefit Plan.

2.10 Intellectual Property.

(a) To Thorium Power's knowledge, Thorium Power owns or has the right to use pursuant to license, sublicense, agreement, or permission all Intellectual Property necessary for the operation of its business as presently conducted, except where the failure to so own or have the right to use such Intellectual Property would not have a Material Adverse Effect. Except as specified in Schedule 2.10, Thorium Power possesses all right, title and interest in and to each item of owned Intellectual Property, free and clear of any Encumbrance.

(b) Schedule 2.10 identifies each patent or registration which has been issued to Thorium Power with respect to any of its Intellectual Property and identifies each pending patent application or application for registration which Thorium Power has made with respect to any of its Intellectual Property. Schedule 2.10 also identifies each registered or unregistered trade name, service mark or trademark used by Thorium Power in connection with its business.

(c) To Thorium Power's knowledge, Thorium Power has not interfered with, infringed upon, misappropriated, or otherwise come into conflict with any Intellectual Property rights of third parties, and except as specified in Schedule 2.10, Thorium Power has never received any charge, complaint, claim, demand, or notice alleging any such interference, infringement, misappropriation, or violation. No third party has interfered with, infringed upon, misappropriated, or otherwise come into conflict with any Intellectual Property rights of Thorium Power.

2.11 Material Contracts.

(a) Schedule 2.11 sets forth a true, complete and correct list of every written Contract currently in effect to which Thorium Power is a party that: (i) provides or provided for aggregate future payments by Thorium Power of more than $10,000; (ii) was entered into by Thorium Power with an officer, director, key employee or Affiliate of Thorium Power; (iii) guarantees or indemnifies or otherwise causes or caused Thorium Power to be liable or otherwise responsible for the obligations or liabilities of another or provides or provided solely for a charitable contribution by Thorium Power; (iv) involves or involved an agreement with any bank, finance company or similar organization; (v) restricts or restricted Thorium Power from engaging in any business or activity anywhere in the world; (vi) is or was an employment agreement, consulting

agreement, independent sales representative agreement or similar arrangement; (vii) is or was a lease; or (viii) is or was otherwise material to the rights, properties, assets, business or operations of Thorium Power (the foregoing, collectively, "***Thorium Power Material Contracts***") . Thorium Power has heretofore made available true, complete and correct copies of all Thorium Power Material Contracts to Novastar.

(b) Each of the Thorium Power Material Contracts is in full force and effect and there is not now and there has not been claimed or alleged by any Person with respect to any Thorium Power Material Contract, any existing default, or event that with notice or lapse of time or both would constitute a default or event of default, on the part of Thorium Power or any Subsidiary of Thorium Power or on the part of any other party thereto. No Consent from or to any Governmental Entity or other Person is required in order to maintain in full force and effect any of the Thorium Power Material Contracts, other than such Consents that have been obtained and are in full force and effect or that have been duly given and, in each case copies of such Consents have been delivered to Novastar and Acquisition Sub.

2.12 Taxes.

(a) Thorium Power has filed all Tax Returns that it was required to file. All such Tax Returns were correct and complete in all respects. All Taxes owed by Thorium Power have been paid except for those not yet due. Thorium Power is not currently the beneficiary of any extension of time within which to file any Tax Return. No claim has ever been made by an authority in a jurisdiction where Thorium Power does not file Tax Returns that it is or may be subject to taxation by that jurisdiction. There are no Encumbrances on any of the assets of Thorium Power that arose in connection with any failure (or alleged failure) to pay any Tax.

(b) Thorium Power has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder, or other third party.

(c) Thorium Power is not aware that any authority plans to assess any additional Taxes for any period for which Tax Returns have been filed. There is no dispute or claim concerning any liability with respect to any Taxes (a "***Tax Liability***") of Thorium Power either (A) claimed or raised by any Governmental Entity in writing or (B) as to which Thorium Power has knowledge based upon personal contact with any agent of such Governmental Entity. Schedule 2.12 lists all federal, state, local, and foreign income Tax Returns filed with respect to Thorium Power for the last two years,

indicates those Tax Returns that have been audited, and indicates those Tax Returns that currently are the subject of audit. Thorium Power has delivered to Novastar correct and complete copies of all federal and state income and other material Tax Returns, examination reports, and statements of deficiencies assessed against or agreed to by Thorium Power for the last two years.

(d) Thorium Power has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.

2.13 Affiliated Party Transactions.

(a) Except as listed on Schedule 2.13(a) and except for obligations arising under the Transaction Documents, no Affiliate of Thorium Power has, directly or indirectly, any obligation to or cause of action or claim against Thorium Power.

(b) Except as listed on Schedule 2.13(b) Thorium Power has not made any loan or advance to any stockholder, officer, director or employee of Thorium Power and no officer or director of Thorium Power or any Affiliate of Thorium Power has, either directly or indirectly:

(i) an equity interest of five percent (5%) or more in any Person that purchases from or sells or furnishes to Thorium Power any goods or otherwise does business with Thorium Power; or

(ii) a beneficial interest in any Contract to which Thorium Power is a party or under which Thorium Power is obligated or bound or to which the property of Thorium Power may be subject, other than Contracts between Thorium Power and such Persons in their capacities as employees, officers or directors of Thorium Power; provided, however, that such representation and warranty shall not apply to the ownership, as a passive investment, by any such director, officer or Affiliate of less than one percent (1%) of a class of securities listed for trading on a national securities exchange, automated quotation system or publicly traded in the over-the-counter market.

2.14 Environmental Matters.

Thorium Power has not caused or allowed, or contracted with any party for, the generation, use, transportation, treatment, storage or disposal of any Hazardous Substances in connection with the operation of its business or otherwise. Except as set forth in Schedule 2.14, the operation of Thorium Power's business is in compliance with all applicable Environmental Laws and orders or directives of any Governmental Entity having jurisdiction under such Environmental Laws,

including, without limitation, any Environmental Laws or orders or directives with respect to any cleanup or remediation of any release or threat of release of Hazardous Substances, and no actions are presently required to comply with any such applicable Environmental Laws. Thorium Power has not received any written citation, directive, letter or other communication or notice of any proceeding, claim or lawsuit arising out of or relating to any Environmental Laws, from any Person arising out of the ownership of its properties or the conduct of its operations, and Thorium Power is not aware of any basis therefor. Thorium Power has obtained and is maintaining in full force and effect all Licenses required by all Environmental Laws applicable to the business operations conducted on Thorium Power's property and is in compliance with all such Licenses.

2.15 No Brokers.

Except as specified in Schedule 2.15, neither Thorium Power nor any Affiliate of Thorium Power has employed, or otherwise engaged, any broker or finder or incurred any liability for any brokerage or investment banking fees, commissions, finders' fees or other similar fees in connection with the transactions contemplated by this Agreement.

2.16 Assets Utilized in The Business.

The assets, properties and rights owned, leased or licensed by Thorium Power and used in connection with its business and all the agreements to which Thorium Power is a party relating to its business, constitute all of the assets, properties, rights and agreements required in connection with the operation and conduct by Thorium Power of its business as presently conducted.

2.17 Insurance.

Set forth in Schedule 2.17 is a list of all insurance policies of any kind covering Thorium Power. Novastar and Acquisition Sub have been provided copies of all such policies. Each of these insurance policies (a) are with insurance companies that are financially sound and reputable and are in full force and effect; (b) are sufficient for compliance with all material Legal Requirements and of all applicable Thorium Power Material Contracts; and (c) are valid, outstanding and enforceable policies. Since January 1, 2004, neither Thorium Power nor any Subsidiary of Thorium Power has been denied any insurance coverage which it has requested.

2.18 Delivery of Documents; Corporate Records.

The minute and stock record books of Thorium Power contain true, correct and complete copies of the records of all meetings and consents in lieu of meetings of Thorium Power's board of directors (and all committees thereof) and the stockholders of Thorium Power since the date of its incorporation or organization.

2.19 Labor And Employment Matters.

(a) Set forth on Schedule 2.19 is a list of all employees of Thorium Power as of the date hereof and their respective positions and hire dates.

(b) (i) Thorium Power is not a party to or bound by any collective bargaining agreement or similar agreement with any labor organization, or work rules or practices agreed to with any labor organization or employee association applicable to employees of Thorium Power; (ii) none of the employees of Thorium Power are represented by any labor organization and there are no organizational campaigns, demands, petitions or proceedings pending or, to Thorium Power's knowledge, threatened by any labor organization or group of employees seeking recognition or certification as collective bargaining representative of any group of employees of Thorium Power; (iii) there are no union claims to represent the employees of Thorium Power; and (iv) there are no strikes, controversies, slowdowns, work stoppages, lockouts or labor disputes pending or, to Thorium Power's knowledge, threatened against or affecting Thorium Power, and there have not been any such actions during the past five (5) years.

(c) Thorium Power is, and has at all times during at least the last three (3) years been, in compliance with all applicable Legal Requirements respecting immigration, employment and employment practices, and the terms and conditions of employment, including, without limitation, employment standards, equal employment opportunity, family and medical leave, wages, hours of work and occupational health and safety, and is not engaged in any unfair labor practices as defined in the National Labor Relations Act or any other applicable Legal Requirement. There are no written employment contracts, severance agreements or retention agreements with any employees of Thorium Power and no written personnel policies, rules or procedures applicable to employees of Thorium Power, other than those listed in Schedule 2.19, true and correct copies of which have heretofore been provided to Novastar and Acquisition Sub. Except as set forth in Schedule 2.19, (i) there are no Proceedings related to Thorium Power pending, or, to Thorium Power's knowledge, threatened, in any court or with any agency responsible for the enforcement of federal, state, local or foreign labor or employment laws regarding breach of any express or implied contract of employment, any Legal Requirement or regulation governing employment or the termination thereof or other illegal, discriminatory, wrongful or tortious conduct in connection with the employment relationship, the terms and conditions of employment, or applications for employment with Thorium Power; and (ii) to Thorium Power's knowledge, no federal, state, local or foreign Governmental Entity responsible for the enforcement of immigration, labor, equal employment opportunity, family and medical leave, wages, hours of work, occupational health and safety or any other employment laws intends to conduct or is conducting an investigation with respect to or relating to Thorium Power.

2.20 Restrictive Covenants.

Except as set forth on Schedule 2.20, Thorium Power is not subject to any covenant that would restrict Thorium Power from engaging in its business.

2.21 Directors, Officers And Certain Employees.

Schedule 2.21 sets forth a complete and correct list of the names and title, for each director and officer of Thorium Power, who received compensation during Thorium Power's most recently ended fiscal year. Novastar has been provided current annual salary and bonus information for all Thorium Power employees, officers and directors. Thorium Power is not aware of any employee who intends to terminate his or her employment relationship with Thorium Power, as a result of the transactions contemplated hereby or otherwise.

2.22 No Misstatements Or Omissions.

No representation or warranty by Thorium Power contained in this Agreement or in any certificate, list, Schedule, Exhibit or other instrument specified or referred to in this Agreement, whether heretofore furnished to Novastar or Acquisition Sub or hereafter furnished to Novastar or Acquisition Sub pursuant to this Agreement on the part of Thorium Power, contains or will contain any untrue statement of a material fact or omits or will omit any material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

3. REPRESENTATIONS AND WARRANTIES OF NOVASTAR AND ACQUISITION SUB.

Novastar and Acquisition Sub represent and warrant to Thorium Power that, except as set forth in the Novastar Disclosure Documents, each of the following statements is true and correct as of the date hereof (unless stated as of another date):

3.1 Organization.

Each of Acquisition Sub, Novastar and any other Subsidiaries of Novastar is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation and has the requisite corporate power and authority to own, lease and operate its respective properties and to carry on its respective business as it is now being conducted. Each of Acquisition Sub, Novastar and any other Subsidiaries of Novastar is duly qualified or licensed to do business as a foreign corporation and is in good standing in each jurisdiction in which the nature of the respective business conducted by it makes such qualification or licensing necessary, except where the failure to so qualify would not have a Material Adverse Effect. Novastar has delivered to Thorium Power true, correct and complete copies of the Certificate of Incorporation and Bylaws and other organizational documents, as currently in effect, of Novastar and Acquisition Sub. Other than Novastar's ownership interest in Acquisition Sub and the Subsidiaries set forth in Exhibit 21 to Novastar's Form 10-KSB/A filed November 25, 2005, none of Novastar and its Subsidiaries has any direct or indirect Subsidiaries or hold any equity or ownership interest of any kind, whether beneficially or of record, in any Person.

3.2 Authorization; Validity of Agreement.

Each of Acquisition Sub and Novastar has the requisite power and authority to execute, deliver and perform this Agreement and each of the other Transaction Documents to be executed and delivered by Acquisition Sub or Novastar, as appropriate, pursuant to this Agreement, and to assume and perform any obligations hereunder and thereunder, and to consummate the transactions contemplated hereby and thereby. Each of this Agreement and the other Transaction Documents to be executed and delivered by Acquisition Sub or Novastar pursuant to this Agreement have been duly authorized, executed and delivered by Acquisition Sub or Novastar, as appropriate, and are valid and binding obligations of Acquisition Sub or Novastar, as appropriate, enforceable against each such entity in accordance with their respective terms, except as limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application referring to or affecting enforcement of creditors' rights and general principles of equity.

3.3 No Violations; Consents and Approvals.

(a) The execution, delivery and performance of each of this Agreement and the other Transaction Documents by Acquisition Sub and Novastar do not, and the consummation by each of them of the transactions contemplated hereby and thereby will not: (i) violate any provision of its respective Certificate of Incorporation, Bylaws or other organizational documents, (ii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, amendment, cancellation or acceleration) under any of the terms, conditions or provisions of any Novastar Material Contract, after giving effect to any Required Consents, or (iii) violate any Legal Requirement applicable to Acquisition Sub or Novastar or any of their respective properties or assets.

(b) No Consent with, to or of any legislative or executive agency or department or other regulatory service, authority or agency or any court, arbitration panel or other tribunal or judicial authority of any Governmental Entity or Person, is required in connection with the execution, delivery and performance of this Agreement or any of the other Transaction Documents by Acquisition Sub or Novastar or the consummation by Acquisition Sub or Novastar of the transactions contemplated hereby and thereby, except the Required Consents set forth on Schedule 3.3 hereof.

3.4 The Shares.

The shares of Novastar Common Stock to be issued to Thorium Power's stockholders pursuant to this Agreement, when issued in accordance with the terms of this Agreement, will be duly authorized, validly issued, fully paid and non-assessable.

3.5 SEC Filings; Disclosure.

Novastar has filed with the SEC all forms, statements, reports and documents required to be filed by it since January 1, 2003 under each of the Securities Act of 1933, as amended (the "***1933***

Act"), the Securities Exchange Act of 1934, as amended (the "***1934 Act***"), and the respective rules and regulations thereunder (the "***Novastar Disclosure Documents***") all of which, as amended, if applicable, complied when filed in all material respects with the applicable requirements of the appropriate Act and the rules and regulations thereunder. As of the filing date of each, the Novastar Disclosure Documents did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

3.6 Litigation; Compliance With Law; Licenses And Permits.

(a) Except as set forth in Schedule 3.6, there is no Proceeding pending, nor, to Novastar's knowledge, is there any Proceeding threatened, that involves or affects either Novastar or any of its Subsidiaries, by or before any Governmental Entity, court, arbitration panel or any other Person.

(b) Since January 1, 2004, Novastar and each of its Subsidiaries have, and since its formation Acquisition Sub has, complied with all applicable Legal Requirements, including but not limited to Legal Requirements relating to Taxes, zoning, building codes, antitrust, occupational safety and health, industrial hygiene, environmental protection, water, ground or air pollution, the generation, handling, treatment, storage or disposal of Hazardous Substances, consumer product safety, product liability, hiring, wages, hours, employee benefit plans and programs, collective bargaining and the payment of withholding and social security Taxes. Except as set forth on Schedule 3.6, since January 1, 2005, neither Novastar nor any of its Subsidiaries has received any written notice of any violation of any Legal Requirement from a Governmental Entity or others.

(c) Except as set forth on Schedule 3.6, Novastar and each of its Subsidiaries have every License and every Consent by or on behalf of any Person required for them to conduct their respective businesses as presently conducted. All such Licenses and Consents are in full force and effect and neither Novastar nor any of its Subsidiaries has received notice of any pending cancellation or suspension of any thereof nor, to Novastar's knowledge, is any cancellation or suspension thereof threatened. The applicability and validity of each such License and Consent will not be adversely affected by the consummation of the transactions contemplated by this Agreement or any other Transaction Document.

3.7 No Misstatements Or Omissions.

No representation or warranty by Novastar and Acquisition Sub contained in this Agreement or in any certificate, list, Schedule, Exhibit or other instrument specified or referred to in this Agreement, whether heretofore furnished to Thorium Power or hereafter furnished to Thorium Power pursuant to this Agreement on the part of Novastar and Acquisition Sub, contains or will

contain any untrue statement of a material fact or omits or will omit any material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

3.8 Information Supplied.

The registration statement on Form S-4 or Form SB-2 (or such other form as may be used) to be filed with the SEC by Novastar in connection with the issuance of shares of Novastar Common Stock (including shares of Novastar Common Stock issuable upon exercise or conversion of the Thorium Power Convertible Securities) in the Merger, as amended or supplemented from time to time (as so amended and supplemented, the "***Registration Statement***"), and any other documents to be filed by Novastar with the SEC or any other Governmental Entity in connection with the Transaction Documents and the transactions contemplated thereby prior to the Closing will (in the case of the Registration Statement and any such other documents filed with the SEC under the 1933 Act or the 1934 Act) comply as to form in all material respects with the requirements of the 1933 Act and the 1934 Act, and will not, on the date of its filing or, in the case of the Registration Statement, at the time it becomes effective under the 1933 Act contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading, except that no representation is made by Novastar with respect to information supplied in writing by or on behalf of Thorium Power expressly for inclusion therein.

3.9 Acquisition Sub.

Acquisition Sub is a wholly-owned subsidiary of Novastar incorporated on February 9, 2006 that has not engaged in any operations through the Closing Date, except as contemplated by this Agreement.

3.10 Capitalization.

(a) The authorized capital stock of Novastar and Acquisition Sub, the issued and outstanding capital stock of Novastar and Acquisition Sub and the record and beneficial ownership of the capital stock of Novastar and Acquisition Sub is set forth on Schedule 3.10 or in the Novastar Disclosure Documents. The shares of Novastar Common Stock are duly authorized, validly issued, fully paid and non-assessable. Except as contemplated by this Agreement or as set forth on Schedule 3.10, there are no

(i) options, warrants, calls, preemptive rights, subscriptions or other rights, convertible securities, agreements or commitments of any character obligating, now or in the future, Novastar or any of its Subsidiaries to issue, transfer or sell any shares of capital stock, options, warrants, calls or other equity interest of any kind whatsoever in Novastar or any of its Subsidiaries or securities convertible into or exchangeable for such shares or equity interests,

(ii) contractual obligations of Novastar to repurchase, redeem or otherwise acquire any capital stock or equity interest of Novastar or any of its Subsidiaries or

(iii) voting trusts, proxies or similar agreements to which Novastar or any of its Subsidiaries is a party with respect to the voting of the capital stock of Novastar or any of its Subsidiaries.

(b) Except as set forth on Schedule 3.10 and except for the equity interests of the Subsidiaries of Novastar and temporary investments of cash in marketable securities, Novastar does not own any outstanding shares of capital stock (or other equity interests of entities other than corporations) of any Person.

3.11 Financial Statements.

(a) Attached as Schedule 3.11 are (i) the audited balance sheet of Novastar as of June 30, 2005 and 2004 together with the related audited statement of income (including the related notes and audit reports of independent auditors, if any) for the fiscal year then ended, and (ii) the unaudited balance sheet of Novastar as of September 30, 2005 (the "***Latest Novastar Balance Sheet***") together with the related unaudited statement of income (including related notes and review reports of independent auditors, if any) for the three month period ended September 30, 2005 (collectively, the "***Novastar Financial Statements***"). The balance sheet of Novastar at December 31, 2005 that will be included in the unaudited financial statements of Novastar and included in Novastar's quarterly report on Form 10-QSB for the quarter ended December 31, 2005 will show total liabilities of Novastar that do not exceed $250,000.

(b) The Novastar Financial Statements have been prepared by Novastar and have been derived from, and agree with, the books and records of Novastar and fairly present the financial position of Novastar as of the respective dates thereof and the results of operations of Novastar for the respective periods set forth therein. The Novastar Financial Statements have been prepared in accordance with GAAP as of the dates and for the periods involved, subject, in the case of the Novastar Financial Statements covering the periods ended September 30, 2005, to normal fiscal year-end adjustments in the ordinary course (none of which, individually or in the aggregate, is expected to be material to the business or the operations of Novastar).

(c) Novastar maintains a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific

authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP and to maintain assets accountability, and (iii) access to assets is permitted only in accordance with management's general or specific authorization, except for any controls the absence of which would not result in a Material Adverse Effect.

3.12 Operation of Business.

(a) Since the date of the Latest Novastar Balance Sheet, each of Novastar and its Subsidiaries has continued to operate its business in a manner and system of operation employed immediately prior to the date of the Latest Novastar Balance Sheet, and Novastar has used commercially reasonable efforts to prevent harm or damage to the reputation of Novastar or its Subsidiaries.

(b) Except as specifically contemplated by this Agreement or as set forth on Schedule 3.12, since the date of the Latest Novastar Balance Sheet, neither Novastar nor any of its Subsidiaries has (i) incurred any liabilities, except in the ordinary course of business consistent with past practice; (ii) paid any obligation or liability, or discharged or satisfied any Encumbrance other than those securing current liabilities, in each case in the ordinary course of business; (iii) mortgaged, pledged or subjected to any Encumbrance any of its assets, tangible or intangible, except in the ordinary course of business; (iv) sold, transferred or leased any of its assets except the sale of inventory in the ordinary course of business; (v) suffered any material physical damage, destruction or loss (whether or not covered by insurance) affecting its properties, business or prospects; (vi) entered into any transaction other than in the ordinary course of business; (vii) encountered any labor difficulties or labor union organizing activities; (viii) issued or sold any shares of capital stock or other securities or granted any options, warrants, or other purchase rights with respect thereto other than pursuant to this Agreement; (ix) made any acquisition or disposition of any assets or become involved in any other material transaction, including, without any limitation, any merger or consolidation with, purchase of all or part of the assets of, or acquisition of any business of any proprietorship, firm, association, corporation or other business organization or division thereof; (x) increased the compensation payable, or to become payable, to any of its directors or employees or increased the scope or nature of any fringe benefits provided for its employees or directors, other than as Novastar has separately informed Thorium Power; (xi) made any capital investment in, any loan to or any acquisition of the securities or assets of any other Person; (xii) canceled, compromised, waived or released any material right or claim; (xiii) made any change in employment terms for any of its officers or employees; (xiv) made or pledged to make any charitable

contribution or other capital contribution outside the ordinary course of business; (xv) violated any Legal Requirement, if such violation could have resulted in a Material Adverse Effect on Novastar or any of its Subsidiaries, or failed to maintain all governmental licenses and approvals required to operate its business as it is currently being conducted; or (xvi) agreed or committed, whether in writing or otherwise, to do any of the foregoing other than pursuant to the Transaction Documents and the transactions contemplated hereby and thereby. In addition, since the date of the Latest Novastar Balance Sheet, neither Novastar nor any of its Subsidiaries has accelerated, terminated, modified or canceled any material Contract to which it is a party or by which it or its assets are bound.

(c) Since the date of the Latest Novastar Balance Sheet, no event, condition or circumstance has occurred that could, or could be reasonably likely to, have a Material Adverse Effect on Novastar or any of its Subsidiaries.

3.13 No Undisclosed Liabilities.

(a) Except as set forth on Schedule 3.13, neither Novastar nor any of its Subsidiaries has any liabilities (whether accrued, contingent, known, or otherwise) other than those that (i) are set forth or reserved against on the Latest Novastar Balance Sheet; or (ii) were incurred in the ordinary course of business since the date of the Latest Novastar Balance Sheet.

(b) The accounts payable of each of Novastar and its Subsidiaries are set forth on Schedule 3.13. All such accounts payable are the result of bona fide transactions in the ordinary course of business.

3.14 Employee Benefit Plans; ERISA.

(a) Schedule 3.14 lists each Employee Benefit Plan that each of Novastar or its Subsidiaries maintains or to which Novastar or any of its Subsidiaries contributes.

(b) To the knowledge of Novastar, each such Employee Benefit Plan (and each related trust, insurance contract, or fund) has been maintained, funded and administered in accordance with the terms of such Employee Benefit Plan and complies in form and in operation in all respects with the applicable requirements of ERISA and the Code, except where the failure to comply would not have a Material Adverse Effect.

(c) All contributions (including all employer contributions and employee salary reduction contributions) which are due have been made to each such Employee Benefit Plan which is an Employee

Pension Benefit Plan. All premiums or other payments which are due have been paid with respect to each such Employee Benefit Plan which is an Employee Welfare Benefit Plan.

3.15 Intellectual Property.

(a) To Novastar's knowledge, each of Novastar and its Subsidiaries owns or has the right to use pursuant to license, sublicense, agreement, or permission all Intellectual Property necessary for the operation of its business as presently conducted, except where the failure to so own or have the right to use such Intellectual Property would not have a Material Adverse Effect. Except as specified in Schedule 3.15, each of Novastar and its Subsidiaries, as applicable, possesses all right, title and interest in and to each item of owned Intellectual Property, free and clear of any Encumbrance.

(b) Schedule 3.15 identifies each patent or registration which has been issued to Novastar or any of its Subsidiaries with respect to any of its Intellectual Property and identifies each pending patent application or application for registration which Novastar or any of its Subsidiaries has made with respect to any of its Intellectual Property. Schedule 3.15 also identifies each registered or unregistered trade name, service mark or trademark used by Novastar in connection with its business.

(c) To Novastar's knowledge, neither Novastar nor any of its Subsidiaries has interfered with, infringed upon, misappropriated, or otherwise come into conflict with any Intellectual Property rights of third parties, and except as specified in Schedule 3.15, neither Novastar nor any of its Subsidiaries has received any charge, complaint, claim, demand, or notice alleging any such interference, infringement, misappropriation, or violation. No third party has interfered with, infringed upon, misappropriated, or otherwise come into conflict with any Intellectual Property rights of Novastar or any of its Subsidiaries.

3.16 Material Contracts.

(a) Other than those documents filed with the SEC in connection with the Novastar Disclosure Documents, Schedule 3.16 sets forth a true, complete and correct list of every written Contract currently in effect to which Novastar or any of its Subsidiaries is a party that: (i) provides or provided for aggregate future payments by Novastar or any of its Subsidiaries of more than $10,000; (ii) was entered into by Novastar or any of its Subsidiaries with an officer, director, key employee or Affiliate of Novastar or any of its Subsidiaries; (iii) guarantees or indemnifies or otherwise causes or caused Novastar or any of its Subsidiaries to be liable or otherwise responsible for the obligations or liabilities of another or provides

or provided solely for a charitable contribution by Novastar or any of its Subsidiaries; (iv) involves or involved an agreement with any bank, finance company or similar organization; (v) restricts or restricted Novastar or any of its Subsidiaries from engaging in any business or activity anywhere in the world; (vi) is or was an employment agreement, consulting agreement, independent sales representative agreement or similar arrangement; (vii) is or was a lease; or (viii) is or was otherwise material to the rights, properties, assets, business or operations of Novastar or any of its Subsidiaries (the foregoing, collectively, "***Novastar Material Contracts***") . Novastar has heretofore made available true, complete and correct copies of all Novastar Material Contracts to Thorium Power.

(b) Each of the Novastar Material Contracts is in full force and effect and there is not now and there has not been claimed or alleged by any Person with respect to any Novastar Material Contract, any existing default, or event that with notice or lapse of time or both would constitute a default or event of default, on the part of Novastar or any Subsidiary of Novastar or on the part of any other party thereto. No Consent from or to any Governmental Entity or other Person is required in order to maintain in full force and effect any of the Novastar Material Contracts, other than such Consents that have been obtained and are in full force and effect or that have been duly given and, in each case copies of such Consents have been delivered to Thorium Power.

3.17 Taxes.

(a) Novastar has filed all Tax Returns that it was required to file. All such Tax Returns were correct and complete in all respects. All Taxes owed by Novastar have been paid, except for those not yet due. Novastar is not currently the beneficiary of any extension of time within which to file any Tax Return. No claim has ever been made by an authority in a jurisdiction where Novastar does not file Tax Returns that it is or may be subject to taxation by that jurisdiction. There are no Encumbrances on any of the assets of Novastar that arose in connection with any failure (or alleged failure) to pay any Tax.

(b) Novastar has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder, or other third party.

(c) Novastar is not aware that any authority plans to assess any additional Taxes for any period for which Tax Returns have been filed. There is no Tax Liability of Novastar either (A) claimed or raised by any Governmental Entity in writing or (B) as to which Novastar has knowledge based upon personal contact with any

agent of such Governmental Entity. Schedule 3.17 lists all federal, state, local, and foreign income Tax Returns filed with respect to Novastar for the last two years, indicates those Tax Returns that have been audited and indicates those Tax Returns that currently are the subject of audit. Novastar has delivered to Novastar correct and complete copies of all federal and state income and other material Tax Returns, examination reports, and statements of deficiencies assessed against or agreed to by Novastar for the last two years.

(d) Novastar has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.

3.18 Affiliated Party Transactions.

(a) Except as listed on Schedule 3.18(a) and except for obligations arising under the Transaction Documents, no Affiliate of Novastar has, directly or indirectly, any obligation to or cause of action or claim against Novastar or any of its Subsidiaries.

(b) Except as listed on Schedule 3.18(b) neither Novastar nor any of its Subsidiaries has made any loan or advance in excess of $1,000 outstanding to any stockholder, officer, director or employee thereof and no officer or director of Novastar or any of its Subsidiaries or any Affiliate of Novastar has, either directly or indirectly:

(i) an equity interest of five percent (5%) or more in any Person that purchases from or sells or furnishes to Novastar or any of its Subsidiaries any goods or otherwise does business with Novastar or any of its Subsidiaries; or

(ii) a beneficial interest in any Contract to which Novastar or any of its Subsidiaries is a party or under which Novastar or such Subsidiary is obligated or bound or to which the property of Novastar or such Subsidiary may be subject, other than Contracts between Novastar or such Subsidiary and such Persons in their capacities as employees, officers or directors of Novastar or a Subsidiary of Novastar; provided, however, that such representation and warranty shall not apply to the ownership, as a passive investment, by any such director, officer or Affiliate of less than one percent (1%) of a class of securities listed for trading on a national securities exchange, automated quotation system or publicly traded in the over-the-counter market.

3.19 Environmental Matters.

Novastar has not caused or allowed, or contracted with any party for, the generation, use, transportation, treatment, storage or disposal of any Hazardous Substances in connection with the operation of its business or otherwise. Except as set forth in Schedule 3.19, the operation of Novastar's business is in compliance with all applicable Environmental Laws and orders or directives of any Governmental Entity having jurisdiction under such Environmental Laws, including, without limitation, any Environmental Laws or orders or directives with respect to any cleanup or remediation of any release or threat of release of Hazardous Substances, and no actions are presently required to comply with any such applicable Environmental Laws. Novastar has not received any written citation, directive, letter or other communication or notice of any proceeding, claim or lawsuit arising out of or relating to any Environmental Laws, from any Person arising out of the ownership of its properties or the conduct of its operations, and Novastar is not aware of any basis therefor. Novastar has obtained and is maintaining in full force and effect all Licenses required by all Environmental Laws applicable to the business operations conducted on Novastar's property and is in compliance with all such Licenses.

3.20 No Brokers.

Except as specified in Schedule 3.20, neither Novastar nor any Affiliate of Novastar has employed, or otherwise engaged, any broker or finder or incurred any liability for any brokerage or investment banking fees, commissions, finders' fees or other similar fees in connection with the transactions contemplated by this Agreement.

3.21 Assets Utilized in The Business.

The assets, properties and rights owned, leased or licensed by Novastar and its Subsidiaries and used in connection with their respective businesses and all the agreements to which Novastar or any of its Subsidiaries is a party relating to their businesses, constitute all of the assets, properties, rights and agreements required in connection with the operation and conduct by Novastar and its Subsidiaries of their respective businesses as presently conducted.

3.22 Insurance.

Set forth in Schedule 3.22 is a list of all insurance policies of any kind covering Novastar and its Subsidiaries. Thorium Power has been provided copies of all such policies. Each of these insurance policies (a) are with insurance companies that are financially sound and reputable and are in full force and effect; (b) are sufficient for compliance with all material Legal Requirements and of all applicable Novastar Material Contracts; and (c) are valid, outstanding and enforceable policies. Since January 1, 2004, neither Novastar nor any Subsidiary of Novastar has been denied any insurance coverage which it has requested.

3.23 Delivery of Documents; Corporate Records.

Novastar has provided to Thorium Power true, correct and complete copies of all documents, instruments, agreements and records referred to in Section 3 of this Agreement as having been so provided and copies of the minute and stock record books of Novastar and Acquisition Sub. The minute and stock record books of each of Novastar and Acquisition Sub contain true, correct and complete copies of the records of all meetings and consents in lieu of meetings of Novastar's or Acquisition Sub's, as applicable, board of directors (and all committees thereof) and the

stockholders of Novastar and Acquisition Sub since the respective dates of their incorporation or organization.

3.24 Labor And Employment Matters.

(a) Set forth on Schedule 3.24 is a list of all employees of Novastar and its Subsidiaries as of the date hereof and their respective positions.

(b) (i) Neither Novastar nor any of its Subsidiaries is party to or bound by any collective bargaining agreement or similar agreement with any labor organization, or work rules or practices agreed to with any labor organization or employee association applicable to employees of Novastar or its Subsidiaries; (ii) none of the employees of Novastar or any of its Subsidiaries are represented by any labor organization and there are no organizational campaigns, demands, petitions or proceedings pending or, to Novastar's knowledge, threatened by any labor organization or group of employees seeking recognition or certification as collective bargaining representative of any group of employees of Novastar or its Subsidiaries; (iii) there are no union claims to represent the employees of Novastar or any of its Subsidiaries; and (iv) there are no strikes, controversies, slowdowns, work stoppages, lockouts or labor disputes pending or, to Novastar's knowledge, threatened against or affecting Novastar or any of its Subsidiaries, and there have not been any such actions during the past five (5) years.

(c) Novastar and each of its Subsidiaries is, and has at all times during at least the last three (3) years been, in compliance with all applicable Legal Requirements respecting immigration, employment and employment practices, and the terms and conditions of employment, including, without limitation, employment standards, equal employment opportunity, family and medical leave, wages, hours of work and occupational health and safety, and is not engaged in any unfair labor practices as defined in the National Labor Relations Act or any other applicable Legal Requirement. There are no written employment contracts, severance agreements or retention agreements with any employees of Novastar or any of its Subsidiaries and no written personnel policies, rules or procedures applicable to employees of Novastar or any of its Subsidiaries, other than those listed in Schedule 3.24, true and correct copies of which have heretofore been provided to Thorium Power. Except as set forth in Schedule 3.24, (i) there are no Proceedings related to Novastar or any of its Subsidiaries pending, or, to Novastar's knowledge, threatened, in any court or with any agency responsible for the enforcement of federal, state, local or foreign labor or employment laws regarding breach of any express or implied contract of employment, any Legal Requirement or regulation governing employment or the

termination thereof or other illegal, discriminatory, wrongful or tortious conduct in connection with the employment relationship, the terms and conditions of employment, or applications for employment with Novastar or any of its Subsidiaries; and (ii) to Novastar's knowledge, no federal, state, local or foreign Governmental Entity responsible for the enforcement of immigration, labor, equal employment opportunity, family and medical leave, wages, hours of work, occupational health and safety or any other employment laws intends to conduct or is conducting an investigation with respect to or relating to Novastar or any of its Subsidiaries.

3.25 Restrictive Covenants.

Except as set forth on Schedule 3.25, neither Novastar nor any of its Subsidiaries is subject to any covenant that would restrict Novastar or its Subsidiaries from engaging in their respective businesses.

3.26 Directors, Officers And Certain Employees.

Schedule 3.26 sets forth a complete and correct list of the names and title, for each director and officer of Novastar and Acquisition Sub, who received compensation during Novastar's and Acquisition Sub's, as applicable, most recently ended fiscal year. Thorium Power has been provided current annual salary and bonus information for all Novastar employees, officers and directors. Except as disclosed on Schedule 3.26, Novastar is not aware of any employee who intends to terminate his or her employment relationship with Novastar or Acquisition Sub, as a result of the transactions contemplated hereby or otherwise.

3.27 Continuity of Business Enterprise. It is the present intention of Novastar to cause Thorium Power to continue at least one significant historic business line of Thorium Power, or to use at least a significant portion of Thorium Power's historic business assets in a business, in each case within the meaning of Treasury Regulations section 1.368-1(d), except that Novastar may transfer Thorium Power's historic business assets (i) to a corporation that is a member of Novastar's qualified group, within the meaning of Treasury Regulations section 1.368-1(d)(4)(ii), or (ii) to a partnership if (A) one or more members of Novastar's qualified group have active and substantial management functions as a partner with respect to Thorium Power's historic business or (B) members of Novastar's qualified group in the aggregate own an interest in the partnership representing a significant interest in Thorium Power's historic business, in each case within the meaning of Treasury Regulations section 1.368-1(d)(4)(iii).

4. CONDITIONS TO OBLIGATIONS OF THORIUM POWER TO CLOSE.

The obligations of Thorium Power to consummate the transactions contemplated hereby and to make the deliveries contemplated at the Closing shall, in addition to the conditions set forth

elsewhere herein, be subject to the satisfactory completion on or prior to the Closing Date of each of the following conditions, any of which may be waived by Thorium Power:

4.1 Correctness of Representations And Warranties.

Each of the representations and warranties of Novastar and Acquisition Sub contained in this Agreement shall have been true and correct on the date hereof (unless stated as of another date) and shall be true and correct on the Closing Date with the same effect as if made on the Closing Date, and Novastar shall have executed and delivered to Thorium Power at Closing a certificate of an officer of Novastar to that effect.

4.2 Performance of Covenants And Agreements.

All of the covenants and agreements of Novastar and Acquisition Sub contained in this Agreement and required to be performed by Novastar or Acquisition Sub on or before the Closing Date shall have been performed in all respects, and an officer of Novastar shall have executed and delivered to Thorium Power at Closing a certificate to that effect.

4.3 Effectiveness of Registration Statement.

The Registration Statement shall have become effective, and no stop order suspending the effectiveness of the Registration Statement shall have been issued and remain in effect.

4.4 No New Proceedings.

Novastar shall not be named as a defendant or respondent in any new Proceeding during the period between the execution of this Agreement and the Closing alleging damages in excess of the amount set forth in Schedule 4.4. No preliminary or permanent injunction or other order by any federal or state court preventing consummation of the transactions contemplated hereby shall have been issued and shall be continuing in effect, and the Merger and the other transactions contemplated hereby shall not be prohibited under any applicable federal or state law or regulation.

4.5 Board of Directors Approvals.

The Board of Directors of Novastar shall have approved:

(a) this Agreement and the transactions contemplated hereby;

(b) Amended and Restated Bylaws of Novastar in form and substance reasonably satisfactory to Thorium Power; and

(c) an amendment to Novastar's certificate of incorporation to: (i) increase the number of authorized shares of Novastar Common Stock to 500,000,000, (ii) change the name of Novastar to **Thorium Power Ltd.**, and (iii) make such other changes to the Novastar certificate of incorporation as may be mutually agreed upon by Novastar and Thorium Power.

4.6 Stockholder Approval of Charter Amendment.

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 in Section 4.5(c) above and Novastar shall have complied with the requirements of Regulation 14C under the 1934 Act, including requirements relating to the filing of a preliminary information statement and a definitive information statement (or other appropriate document(s)) and the mailing of a definitive information statement (or other appropriate document(s)) to the stockholders of Novastar.

4.7 Receipt of Releases.

Thorium Power shall have received representation letters and releases in form and substance reasonably satisfactory to Thorium Power from such persons as Thorium Power may reasonably request, including Chris Davis.

4.8 Employment Agreements.

Seth Grae and Andrey Mushakov shall have entered into employment agreements with Novastar on terms and subject to conditions that are reasonably satisfactory to Thorium Power.

4.9 Dissenting Stockholders.

The total number of shares of Thorium Power Common Stock held by Dissenting Stockholders shall not exceed 10% of the outstanding shares of Thorium Power Common Stock at the proposed Effective Time.

4.10 Financing.

Since January 1, 2006, Novastar shall have raised at least $2,750,000 (it being understood that $1,312,500 has already been raised) in an equity financing transaction and shall have invested at least $1,200,000 of such funds in Thorium Power for Thorium Power Common Stock at a price per share of $4.00 (exclusive of the $150,000 that has already been invested in Thorium Power, but after giving a credit for any funds invested in Thorium Power by Novastar on or about the date hereof).

4.11 14F-1 Information Statement.

Novastar shall have filed an information statement that complies with Rule 14f-1 under the 1934 Act relating to a change of majority of the directors of Novastar and, if requested by Thorium Power, the current directors of Novastar shall have provided Novastar with resignation letters in form satisfactory to Thorium Power and the persons designated by Thorium Power shall comprise the entire board of Novastar.

4.12 Amendment of Novastar Material Contracts.

Novastar shall have amended the contracts listed on Schedule 4.12 such that the only remedy for a breach of obligations by Novastar thereunder would be termination of such contracts.

4.13 Absence of Material Adverse Change.

There shall not have been 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 on Novastar.

4.14 Due Diligence.

Thorium Power shall have completed its business, accounting, and legal due diligence review of Novastar and its business, its assets and liabilities, and the results thereof shall be reasonably satisfactory to Thorium Power.

4.15 Consents And Approvals.

Thorium Power shall have received written evidence satisfactory to it that all Required Consents have been obtained or made.

4.16 Delivery of Secretary's Certificate.

Thorium Power shall have received a certificate from each of Novastar and Acquisition Sub, signed by its respective Secretary or Assistant Secretary, certifying that the attached copies of its respective Certificate of Incorporation, bylaws and resolutions of the board of directors approving this Agreement and the transactions contemplated hereby are all true, complete and correct and remain in full force and effect.

4.17 Exchange Agent.

Novastar shall have entered into an agreement with the Exchange Agent in accordance with Section 1.2(c) hereof.

4.18 Exchangeable Securities.

The holders of the Exchangeable Securities shall have agreed to exchange the Exchangeable Securities on the basis specified in Section 1.2(a).

4.19 Novastar Tax Returns.

To the extent required by applicable law, Novastar shall have filed all Tax Returns required to have been filed by it through the Closing Date.

4.20 Other Closing Documents.

Thorium Power shall have received the executed Certificate of Merger and such other agreements and instruments as Thorium Power shall reasonably request, in each case, in form and substance reasonably satisfactory to Thorium Power.

5. CONDITIONS TO OBLIGATIONS OF NOVASTAR AND ACQUISITION SUB TO CLOSE.

The obligations of Novastar and Acquisition Sub to consummate the transactions contemplated hereby and to make the deliveries contemplated at the Closing shall, in addition to the conditions set forth elsewhere herein, be subject to the satisfactory completion on or prior to the Closing

Date of each of the following conditions, any of which may be waived by Novastar or Acquisition Sub:

5.1 Correctness of Representations And Warranties.

Each of the representations and warranties of Thorium Power contained in this Agreement shall have been true and correct on the date hereof (unless stated as of another date) and shall be true and correct on the Closing Date with the same effect as if made on the Closing Date, and Thorium Power shall have executed and delivered to Novastar and Acquisition Sub at Closing a certificate of an officer of Thorium Power to that effect.

5.2 Performance of Covenants And Agreements.

All of the covenants and agreements of Thorium Power contained in this Agreement and required to be performed by Thorium Power on or before the Closing Date shall have been performed in all respects, and an officer of Thorium Power shall have executed and delivered to Novastar and Acquisition Sub at Closing a certificate to that effect.

5.3 Board Approval of Merger.

The board of directors of Thorium Power shall have approved this Agreement and the transactions contemplated hereby.

5.4 Stockholder Approval of Merger.

The stockholders of Thorium Power shall have taken all corporate action required to approve the Merger, and Thorium Power shall have delivered to Novastar and Acquisition Sub at Closing a certificate of Thorium Power's corporate secretary to that effect.

5.5 Board of Directors Approvals.

The Board of Directors of Novastar shall have approved:

(a) Amended and Restated Bylaws of Novastar in form and substance reasonably satisfactory to Thorium Power; and

(b) An amendment to Novastar's certificate of incorporation to: (i) increase the number of authorized shares of Novastar Common Stock to 500,000,000, (ii) change the name of Novastar to **Thorium Power Ltd.**, and (iii) make such other changes to the Novastar certificate of incorporation as may be mutually agreed upon by Novastar and Thorium Power.

5.6 Stockholder Approval of Charter Amendment.

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 in Section 4.5(c) above and Novastar shall have complied with the requirements of Regulation 14C under the 1934 Act, including requirements relating to the filing of a preliminary information statement and a definitive information statement (or other appropriate document(s))

and the mailing of a definitive information statement (or other appropriate document(s)) to the stockholders of Novastar.

5.7 Receipt of Releases.

Novastar shall have received representation letters and releases in form and substance reasonably satisfactory to Novastar from such persons as Novastar may reasonably request.

5.8 Employment Agreements.

Seth Grae and Andrey Mushakov shall have entered into employment agreements with Novastar on terms and subject to conditions that are reasonably satisfactory to Novastar.

5.9 Effectiveness of Registration Statement.

The Registration Statement shall have become effective, and no stop order suspending the effectiveness of the Registration Statement shall have been issued and remain in effect.

5.10 No New Proceedings.

Thorium Power shall not be named as a defendant or respondent in any new Proceeding during the period between the execution of this Agreement and the Closing alleging damages in excess of the amount set forth on Schedule 5.10. No preliminary or permanent injunction or other order by any federal or state court preventing consummation of the transactions contemplated hereby shall have been issued and shall be continuing in effect, and the Merger and the other transactions contemplated hereby shall not be prohibited under any applicable federal or state law or regulation.

5.11 Dissenting Stockholders.

The total number of shares of Thorium Power Common Stock held by Dissenting Stockholders shall not exceed 10% of the outstanding shares of Thorium Power Common Stock at the proposed Effective Time.

5.12 Consents And Approvals.

Novastar and Acquisition Sub shall have received written evidence satisfactory to them that all Required Consents have been obtained or made.

5.13 Absence of Material Adverse Change.

There shall not have been 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 on Thorium Power.

5.14 14F-1 Information Statement.

Novastar shall have filed an information statement that complies with Rule 14f-1 under the 1934 Act relating to a change of majority of the directors of Novastar and, if requested by Thorium Power, the current directors of Novastar shall have provided Novastar with resignation

letters in form satisfactory to Thorium Power and the persons designated by Thorium Power shall comprise the entire board of Novastar.

5.15 Exchangeable Securities.

The holders of the Exchangeable Securities shall have agreed to exchange the Exchangeable Securities on the basis specified in Section 1.2(a).

5.16 Delivery of Secretary's Certificate.

Novastar shall have received a certificate from Thorium Power, signed by its Secretary or Assistant Secretary, certifying that the attached copies of its Certificate of Incorporation, bylaws and resolutions of the board of directors approving this Agreement and the transactions contemplated hereby are all true, complete and correct and remain in full force and effect.

5.17 Due Diligence.

Novastar shall have completed its business, accounting, and legal due diligence review of Thorium Power and its business, its assets and liabilities, and the results thereof shall be reasonably satisfactory to Novastar and Acquisition Sub.

5.18 Other Closing Documents.

Novastar and Acquisition Sub shall have received the executed Certificate of Merger and such other agreements and instruments as Novastar or Acquisition Sub shall reasonably request, in each case, in form and substance reasonably satisfactory to Novastar and Acquisition Sub.

6. PRE-CLOSING COVENANTS.

The Parties agree as follows with respect to the period between the execution of this Agreement and the Closing.

6.1 General.

Each of the Parties will use its 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 this Agreement (including satisfaction, but not waiver, of their respective closing conditions set forth in Section 4 and Section 5).

6.2 Full Access.

Each Party shall permit representatives of each other Party to have full access to all premises, properties, personnel, books, records (including Tax records), contracts, and documents of or pertaining to such Party.

6.3 Notice of Developments.

Thorium Power will give prompt written notice to Novastar of any material adverse development causing a breach of any of the representations and warranties of Thorium Power herein. Novastar or Acquisition Sub will give prompt written notice to Thorium Power of any

material adverse development causing a breach of any of their respective representations and warranties herein. No disclosure by any Party pursuant to this section, however, shall be deemed to amend or supplement any Schedule or to prevent or cure any misrepresentation, breach of warranty, or breach of covenant.

6.4 Preparation of Registration Statement.

Novastar shall prepare and file with the SEC, as soon as reasonably practicable after the date hereof, the Registration Statement. Novastar and Thorium Power shall use their commercially reasonable efforts to have the Registration Statement declared effective by the SEC as promptly as practicable after such filing and Thorium Power will cooperate with Novastar in the preparation of such Registration Statement. As soon as practicable following the date hereof, Thorium Power shall deliver to Novastar such audited financial statements as are required by the rules and regulations of the SEC for inclusion in the Registration Statement. Novastar shall also take any action (other than qualifying as a foreign corporation or taking any action which would subject it to taxation or service of process in any jurisdiction where Novastar is not now so qualified or subject) required to be taken under applicable state blue sky or provincial or federal securities laws in connection with the issuance of Novastar Common Stock in connection with the Merger. If at any time prior to the Effective Time any event shall occur that should be set forth in an amendment of or a supplement to the Registration Statement, Novastar shall prepare and file with the SEC such amendment or supplement as soon thereafter as is reasonably practicable. Novastar, Thorium Power and Acquisition Sub shall cooperate with each other in the preparation of the Registration Statement and any amendment or supplement thereto, and each shall notify the other of the receipt of any comments of the SEC with respect to the Registration Statement and of any requests by the SEC for any amendment or supplement thereto or for additional information, and shall provide to the other promptly copies of all correspondence between Novastar or Thorium Power, as the case may be, or any of their respective Representatives and the SEC with respect to the Registration Statement. Novastar shall give Thorium Power and its counsel the opportunity to review the Registration Statement and all responses to requests for additional information by and replies to comments of the SEC before their being filed with, or sent to, the SEC. Each of Thorium Power, Novastar and Acquisition Sub agrees to use its commercially reasonable efforts, after consultation with the other Parties, to respond promptly to all such comments of and requests by the SEC and to cause the Registration Statement to be declared effective by the SEC at the earliest practicable time and to be kept effective as long as is necessary to consummate the Merger.

6.5 Regulatory And Other Approvals.

Subject to the terms and conditions of this Agreement, each Party will proceed diligently and in good faith to, as promptly as practicable, (a) 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 of a Party or any of their Subsidiaries to consummate the Merger and the other matters contemplated hereby, and (b) provide such other information and communications to such Governmental Entity or other public or private third parties as any other Party or such Governmental Entity or other public or private third parties may reasonably request in connection therewith.

6.6 Periodic Reports.

Until the Effective Time, Novastar will, subject to the requirements of applicable laws, furnish to Thorium Power all filings to be made with the SEC and all materials to be mailed to Novastar's stockholders and will solicit comments with respect thereto from Thorium Power, in each case, at least 48 hours (or as soon thereafter as is practicable) prior to the time of such filings and the time of such mailings.

6.7 Preservation of Business.

From the date of this Agreement until the Closing Date, Thorium Power and Novastar (on behalf of itself and the Subsidiaries of Novastar) shall operate only in the ordinary and usual course of business consistent with past practice (provided, however, that Novastar shall not issue any securities to employees, consultants, advisors or others in consideration for services rendered or to be rendered without the prior written consent of Thorium Power), and shall use reasonable commercial efforts to (a) preserve intact its respective business organization, (b) preserve the good will and advantageous relationships with customers, suppliers, independent contractors, employees and other Persons material to the operation of its respective business, and (c) not permit any action or omission which would cause any of its respective representations or warranties contained herein to become inaccurate or any of its respective covenants to be breached in any material respect. Without limiting the generality of the foregoing, except as contemplated by this Agreement or as set forth in Schedule 6.7, prior to the Closing, neither Novastar nor Thorium Power shall, without the prior written consent of the other:

(i) take any action, incur any obligation or enter into or authorize any Contract or transaction other than in the ordinary course of business;

(ii) sell, transfer, convey, assign or otherwise dispose of any of its assets or properties, except in the ordinary course of business;

(iii) waive, release or cancel any claims against third parties or debts owing to it, or any rights which have any value, in any such case in an amount greater than $25,000;

(iv) make any changes in its accounting systems, policies, principles or practices except as may be required by applicable law or GAAP;

(v) except in connection with this Agreement, the financing (and any other similar financings) described in Section 4.10 hereof, and pursuant to the terms of outstanding options, warrants or convertible or exchangeable securities, authorize for issuance, issue, sell, deliver or agree or commit to issue, sell or deliver (whether through the issuance or granting of options, warrants, convertible or exchangeable securities, commitments, subscriptions, rights to purchase or otherwise) any shares of its capital stock or any other securities, or amend any of the terms of any such securities;

(vi) split, combine, or reclassify any capital stock, declare, set aside or pay any distribution (whether in cash, shares or property or any combination thereof) in respect of its capital stock, or redeem or otherwise acquire any of its securities, except consistent in time and amount with past practice;

(vii) make any borrowings, incur any debt (other than trade payables in the ordinary course of business), or assume, guarantee, endorse or otherwise become liable (whether directly, contingently or otherwise) for the obligations of any other Person in an aggregate principal amount exceeding $25,000, or make any unscheduled payment or repayment of principal in respect of any debt;

(viii) make any new loans, advances or capital contributions to, or new investments in, any other Person, except in connection with travel and expense reimbursement of employees in the ordinary course of business;

(ix) enter into, adopt, amend in any material respect or terminate any bonus, profit sharing, compensation, termination, stock option, stock appreciation right, restricted stock, performance unit, pension, retirement, deferred compensation, employment, severance or other employee benefit agreements, trusts, plans, funds or other arrangements for the benefit or welfare of any director, officer or employee, or increase in any manner the compensation or fringe benefits of any director, officer or employee, except for normal increases in the ordinary course of business consistent with past practice that, in the aggregate, do not result in a material increase in benefits or compensation expense to such party, or pay any benefit not required by any existing plan and arrangement or enter into any Contract to do any of the foregoing;

(x) borrow, acquire, lease or encumber any assets outside the ordinary course of business;

(xi) authorize or make any capital expenditures that individually, or in the aggregate, exceed $25,000;

(xii) make any material Tax election or settle or compromise any material federal, state, local or foreign income Tax liability, or waive or extend the statute of limitations in respect of any such Taxes;

(xiii) pay or agree to pay any amount in settlement or compromise of any suits or claims of liability in an amount more than $25,000; or

(xiv) terminate, or modify, amend or otherwise alter or change in any material respect, any of the terms or provisions of any material Contract (other than as required by the terms thereof), or pay any amount not required by law or by any Contract in an amount more than $25,000.

6.8 Publicity.

Prior to issuing any public announcement or statement with respect to the transactions contemplated hereby Thorium Power and Novastar 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. Subject to the preceding sentence, Thorium Power and Novastar each agree to furnish to the other copies of all other public announcements they may make concerning their respective business and operations promptly after such public announcements are made.

6.9 Thorium Power Exchangeable Securities.

Thorium Power shall use commercially reasonable efforts to cause the holders of the Exchangeable Securities to exchange such securities at the Closing pursuant to Section 1.2(a) hereof.

6.10 Appointment of Seth Grae as CEO and President of Novastar.

As soon as practicable following the execution of this Agreement, Novastar shall take such action as may be necessary to appoint Seth Grae as the Chief Executive Officer and President of Novastar.

6.11 Continuity of Business Enterprise. Novastar will cause Thorium Power to continue at least one significant historic business line of Thorium Power, or use at least a significant portion of Thorium Power's historic business assets in a business, in each case within the meaning of Treasury Regulations section 1.368-1(d), except that Novastar may transfer Thorium Power's historic business assets (i) to a corporation that is a member of Novastar's qualified group, within the meaning of Treasury Regulations section 1.368-1(d)(4)(ii), or (ii) to a partnership if (A) one or more members of Novastar's qualified group have active and substantial management functions as a partner with respect to Thorium Power's historic business or (B) members of Novastar's qualified group in the aggregate own an interest in the partnership representing a significant interest in Thorium Power's historic business, in each case within the meaning of Treasury Regulations section 1.368-1(d)(4)(iii). Novastar (or its Subsidiary) will not transfer Thorium Power's stock to (i) a corporation that is not a member of Novastar's qualified group or (ii) a partnership.

6.12 No Solicitation.

(a) Immediately following the execution of this Agreement, the Parties will (and will cause each of their respective employees, officers, directors and agents ("***Representatives***") to) terminate any and all existing activities, discussions and negotiations with third parties (other than each other) with respect to any Alternative Proposal.

(b) No Party will (and each will cause its Representatives not to), directly or indirectly, solicit, initiate or knowingly encourage the submission of any offer or proposal to acquire all or a majority of a Party's capital stock or all or ten percent (10%) or more of the assets or business of a Party (other than the transactions contemplated by this Agreement), whether by merger, purchase of stock, purchase of assets, tender offer, exchange offer or otherwise (an "***Alternative Proposal***"); provided, however, that, if a Party shall receive an unsolicited Alternative Proposal, then such Party and its Representatives may enter into discussions or negotiations with respect to such Alternative Proposal with the Person presenting such Alternative Proposal and provide information to such Person if (i) the board of directors of such Party determines in good faith, after receiving the advice of its outside legal counsel, that such action is required in order for the board of directors of such Party to act in a manner consistent with its fiduciary duties under applicable law, (ii) the board of directors of such Party concludes in good faith, in consultation with its financial advisors, that such Alternative Proposal constitutes a Superior Proposal, (iii) such Party receives from such Person an executed confidentiality agreement on terms substantially similar and no less favorable to such Party as the confidentiality provisions contained herein or pursuant to any other confidentiality agreement among the Parties hereto, and (iv) such Party has complied with its obligations under this Section 6.12.

(c) A Party shall promptly (and in any event by 5:00 p.m. New York City time, on the next business day) communicate to the other Parties in writing the identity of the Person making an Alternative Proposal or any related inquiries, proposals or offers, and the terms and conditions of such Alternative Proposal, inquiry, proposal or offer that it may receive. The Party receiving the Alternative Proposal will keep the other Parties informed as to the status of any actions, including any discussions, taken with respect to such Alternative Proposal. The Party receiving the Alternative Proposal shall also keep the other Parties informed of the status of any modifications to any Alternative Proposal (each Party agreeing that it (and its Subsidiaries) will not enter into any confidentiality agreement with any Person subsequent to the date of this Agreement which prohibits the Party from providing such information to the other Parties).

(d) A Party's board of directors (or a committee thereof) shall not approve or recommend an Alternative Proposal, or withdraw or modify its approval or recommendation of this Agreement and the transactions contemplated hereby, including the Merger (or publicly propose to do any of the foregoing) except as expressly provided in this Section 6.12. In response to the receipt of an unsolicited written Alternative Proposal, if a Party has complied with this Section 6.12 and the board of directors of the Party (A) 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 hereto during any five business day period referred to below), and (B) after receiving the advice of its outside counsel has concluded in good faith that such 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, on the sixth business day following the other Party's receipt of written notice from the Party receiving the Alternative Proposal of the intention of the board of directors of such Party to do so, the board of directors of the Party that received the Alternative Proposal may approve and recommend such Superior Proposal and, in connection with such Superior Proposal, withdraw or modify its approval or recommendation of this Agreement and the Merger. As used herein, the term "***Superior Proposal***" means an Alternative Proposal which the board of directors of a Party 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. Notwithstanding the foregoing, the board of directors of a Party that received an Alternative Proposal shall not approve or recommend a Superior Proposal or withdraw or modify its approval or recommendation of this Agreement and the Merger in response to a Superior Proposal (X) until five business days after the Party that received the Alternative Proposal provides written notice to the other Parties (an "***Alternative Proposal Notice***") advising the other Parties that the board of directors of the Party that received the Alternative Proposal or a committee thereof has received a Superior Proposal, specifying the material terms and conditions of such Superior Proposal, and identifying the Person or group making such Superior Proposal and (Y) if during such five business day period, the other Parties propose any alternative transaction (including any modifications to the terms of this Agreement), unless the board of directors of the Party that received the Alternative Proposal or a committee thereof determines in good faith (after consultation with its financial advisors and outside legal counsel, and taking into account all financial, legal, and regulatory

terms and conditions of such alternative transaction proposal) that such alternative transaction proposal is not at least as favorable to the Party that received the Alternative Proposal and its stockholders from a financial point of view as the Superior Proposal (it being understood that any change in the financial or other material terms of a Superior Proposal shall require a new Alternative Proposal Notice and a new five business day period under this Section 6.12).

(e) Nothing in this Section 6.12 shall permit a Party to terminate this Agreement except as specifically provided in Section 9. For the avoidance of doubt, no Party may enter into any agreement with respect to an Alternative Proposal during the term of this Agreement unless it first complies with the provisions of this Section 6.12 and Section 9.

6.13 Financing. On or before March 31, 2006, Novastar shall use commercially reasonable efforts to raise at least $2,750,000 (it being understood that $1,312,500 has already been raised) in an equity financing transaction and shall 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 (exclusive of the $150,000 that has already been invested in Thorium Power, but after giving a credit for any funds invested in Thorium Power by Novastar on or about the date hereof).

6.14 Amendment of Novastar Material Contracts.

6.15 On or before March 31, 2006, Novastar shall use commercially reasonable efforts to amend the contracts listed on Schedule 4.12 such that the only remedy for a breach of obligations by Novastar thereunder is termination of such contracts.

7. INDEMNIFICATION.

7.1 Indemnification By Thorium Power. Thorium Power shall indemnify and hold harmless Novastar and Acquisition Sub and their respective officers, directors, employees, attorneys, agents and controlling persons from any liability, damage, loss, penalty, cost or expense, including attorneys fees and costs of investigating and defending against lawsuits, complaints, actions or other pending or threatened litigation (collectively, "Costs"), arising from or attributable to any breach of any representation, warranty or agreement made by Thorium Power herein or in any certificate delivered by Thorium Power in connection with the transactions contemplated herein.

7.2 Indemnification By Novastar. Novastar shall indemnify and hold harmless Thorium Power and its officers, directors, employees, attorneys, agents and controlling persons from Costs arising from or attributable to any breach of any representation, warranty or agreement made by

Novastar or Acquisition Sub herein or in any certificate delivered by Novastar or Acquisition Sub in connection with the transactions contemplated herein.

7.3 Limitations Period. The indemnification rights provided in Sections 7.1 and 7.2 apply only with respect to claims asserted by written notice provided to the Party from whom indemnification is sought, no later than the Effective Date (the "***Indemnification Period***"). This limitations period is not intended to restrict the right of a director, officer, employee, attorney or agent of a Party to seek indemnification from that Party, consistent with the Party's bylaws or corporate policies.

7.4 Procedures For Resolution And Payment of Claims For Indemnification

(a) If a Person entitled to be indemnified under this Section 7 (the "***Indemnitee***") shall incur any Costs or determine that it is likely to incur any Costs, including without limitation claims by third parties, and believes that it is entitled to be indemnified against such Costs by a Party hereunder (the "***Indemnitor***"), such Indemnitee shall deliver to the Indemnitor a certificate (an "***Indemnity Certificate***") signed by the Indemnitee which Indemnitee Certificate shall:

(i) state that the Indemnitee has paid or properly accrued Costs, or anticipates that it will incur liability for Costs for which such Indemnitee is entitled to indemnification pursuant to this Agreement; and

(ii) specify in reasonable detail each individual item of Cost included in the amount so stated, the date such item was paid or properly accrued, the basis for any anticipated liability and the nature of the misrepresentation, breach of warranty or breach of covenant to which each such item is related and the computation of the amount to which such Indemnitee claims to be entitled hereunder.

(b) In case the Indemnitor shall object to the indemnification of an Indemnitee in respect of any claim or claims specified in any Indemnity Certificate, the Indemnitor shall within 30 days after receipt by the Indemnitor of such Indemnity Certificate deliver to the Indemnitee a written notice to such effect and the Indemnitor and the Indemnitee shall, within the 30-day period beginning on the date of receipt by the Indemnitee of such written objection, attempt in good faith to agree upon the rights of the respective parties with respect to each of such claims to which the Indemnitor shall have so objected. If the Indemnitee and the Indemnitor shall succeed in reaching agreement on their respective rights with respect to any of such claims, the Indemnitee and the Indemnitor

shall promptly prepare and sign a writing setting forth such agreement.

(c) Promptly after the assertion by any third party of any claim against any Indemnitee that, in the judgment of such Indemnitee, may result in the incurrence by such Indemnitee of Costs for which such Indemnitee would be entitled to indemnification pursuant to this Agreement, such Indemnitee shall deliver to the Indemnitor a written notice describing in reasonable detail such claim and such Indemnitor may, at its option, assume the defense of the Indemnitee against such claim (including the employment of counsel, who shall be satisfactory to such Indemnitee, and the payment of expenses), which assumption shall not be deemed an admission of liability for indemnification. Any Indemnitee shall have the right to employ separate counsel in any such action or claim and to participate in the defense thereto, but the fees and expenses of such counsel shall not be at the expense of the Indemnitor unless (i) the Indemnitor shall have failed, within a reasonable time after having been notified by the Indemnitee of the existence of such claim as provided in the preceding sentence, to assume the defense of such claim, (ii) the employment of such counsel has been specifically authorized by the Indemnitor, or (iii) the named parties to any such action (including any impleaded parties) include both such Indemnitee and the Indemnitor and such Indemnitee shall have been advised in writing by such counsel that there may be one or more legal defenses available to it which are different from or additional to those available to Indemnitor. No Indemnitor shall be liable to indemnify any Indemnitee for any settlement of any such action or claim effected without the consent of the Indemnitor but if settled with the written consent of the Indemnitor, or if there be a final judgment for the plaintiff in any such action, the Indemnitor shall jointly and severally indemnify and hold harmless each Indemnitee from and against any loss or liability by reason of such settlement or judgment. If an Indemnitor assumes the defense of an Indemnitee against a claim asserted hereunder, the Indemnitee shall give the Indemnitor access to its books and records as necessary to conduct such defense and cooperate in such defense.

7.5 Limitation on Indemnification. Notwithstanding any other provision of this Section 7: (i) no Party will have any indemnification obligations for Costs under Section 7 unless and until the Costs exceed Twenty Five Thousand Dollars ($25,000), and then only to the extent of such excess; and (ii) in no event will the aggregate indemnification to be paid by a Party under Section 7 exceed Two Hundred Fifty Thousand Dollars ($250,000); provided, however, that this Section 7.5 shall not apply to any intentional breach.

7.6 Exclusive Remedy. The Parties acknowledge and agree that the sole and exclusive remedy for any breach or inaccuracy, or alleged breach or inaccuracy, of any representation or warranty in this Agreement or any covenant or agreement to be performed hereunder on or prior to the Closing Date, will be indemnification in accordance with this Section 7. In furtherance of the foregoing, the Parties hereby waive, to the fullest extent permitted by applicable law, any and all other rights, claims and causes of action (including rights of contributions, if any) that may be based upon, arise out of or relate to this Agreement, or the negotiation, execution or performance of this Agreement (including any tort or breach of contract claim or cause of action based upon, arising out of, or related to any representation or warranty made in or in connection with this Agreement or as an inducement to enter into this Agreement), known or unknown, foreseen or unforeseen, which exist or may arise in the future, that it may have against the other arising under or based upon any law (including any such law under or relating to environmental matters), common law or otherwise.

8. CONFIDENTIAL INFORMATION.

Each Party agrees that it will use the Confidential Information that it receives solely for the purpose of evaluating and implementing the transactions contemplated hereby and for no other purpose. Each Party shall keep the Confidential Information strictly confidential, and shall not disclose any of the Confidential Information to any Person or use any of the Confidential Information for any other purpose; provided that each Party may disclose the Confidential Information to its accountants and attorneys (each an "***Agent***" and collectively the "***Agents***") who need to know such Confidential Information solely for purposes of assisting such Party in evaluating the transactions contemplated hereby and, provided further, that such Confidential Information may be disclosed where required by applicable law or any rules and regulations of an exchange or automated quotation system. As a condition precedent to disclosing any Confidential Information to any such Agent, the Party will inform such Agent of the confidential nature of the Confidential Information and such Agent will agree to be bound to the terms and provisions hereof, as if such Agent was a party hereto.

9. TERMINATION.

9.1 Ability to Terminate. This Agreement shall terminate at any time prior to the Closing as follows:

(a) By the mutual written consent of the Parties.

(b) By Novastar or Acquisition Sub, (i) upon written notice to Thorium Power that any of the conditions in Section 5 have not been fulfilled or waived on or prior to October 31, 2006, (ii) if there has been a breach by Thorium Power of any representation, warranty or covenant made by it in this Agreement which has prevented the satisfaction of any condition to the obligations of Novastar and/or Acquisition Sub to effect the Closing and such breach has not been cured by Thorium Power or waived by

Novastar and Acquisition Sub within 20 business days after all other conditions to Closing have been satisfied or are capable of being satisfied, (iii) if an Alternative Proposal relating to Thorium Power has not been rejected within thirty (30) days after receipt thereof by Thorium Power, or (iv) if Novastar and/or Acquisition Sub has complied with the provisions of Sections 6.12 and 9.3(c) with regard to a Superior Proposal.

(c) By Thorium Power, (i) upon written notice to Novastar and Acquisition Sub that any of the conditions in Section 4 have not been fulfilled or waived on or prior to October 31, 2006, (ii) if there has been a breach by Novastar or Acquisition Sub of any representation, warranty or covenant made by it in this 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, (iii) 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 (iv) if Thorium Power has complied with the provisions of Sections 6.12 and 9.3(b) with regard to a Superior Proposal.

(d) By any Party if any Governmental Entity shall have issued an order, decree or ruling or taken 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 (provided, however, that the right to terminate this Agreement pursuant to this Section 9.1(d) shall not be available to any Party until such Party has used all commercially reasonable efforts to remove such order, decree, ruling or other action unless such removal is not reasonably likely to be obtained).

9.2 Procedure and Effect of Termination. In the event of termination of this Agreement by any of the Parties pursuant to this Section 9, written notice thereof will forthwith be given by the terminating Party to the other Parties and this Agreement will terminate and the transactions contemplated hereby will be abandoned, without further action by either Party, whereupon the liabilities of the Parties hereunder will terminate, except as otherwise expressly provided in this Agreement (including Section 9.3).

9.3 Remedies upon Termination. If this Agreement is terminated as provided herein:

(a) Except as otherwise provided in this Section 9.3, such termination will be the sole remedy of the Parties with respect to breaches of any representation, warranty or covenant contained in this Agreement and none of the Parties nor any of their trustees,

directors, officers, employees or Affiliates, as the case may be, will have any liability or further obligation to the other Parties or any of their trustees, directors, officers, employees or Affiliates, as the case may be, pursuant to this Agreement.

(b) Notwithstanding Section 9.3(a), if Novastar or Acquisition Sub terminates this Agreement pursuant to Section 9.1(b)(iii) or if Thorium Power terminates this Agreement pursuant to Section 9.1(c)(iv), then Thorium Power shall pay to Novastar liquidated damages equal to $500,000.

(c) Notwithstanding Section 9.3(a), if Thorium Power terminates this Agreement pursuant to Section 9.1(c)(iii) or if Novastar or Acquisition Sub terminates this Agreement pursuant to Section 9.1(b)(iv), then Novastar shall pay to Thorium Power liquidated damages equal to $500,000.

9.4 Liquidated Damages. In view of the difficulty of determining the amount of damages which may result from a termination under the circumstances set forth in Sections 9.3(b) and 9.3(c), and the failure of the Parties to consummate the transactions contemplated by this Agreement, the Parties have mutually agreed that the payment set forth in such sections will be made to the respective Parties as liquidated damages, and not as a penalty. In the event of any such termination, the Parties have agreed that the payment set forth in Sections 9.3(b) and 9.3(c) will be the sole and exclusive remedy for monetary damages of the Parties. ACCORDINGLY, THE PARTIES HEREBY ACKNOWLEDGE THAT (i) THE EXTENT OF DAMAGES CAUSED BY THE FAILURE OF THIS TRANSACTION TO BE CONSUMMATED WOULD BE IMPOSSIBLE OR EXTREMELY DIFFICULT TO ASCERTAIN, (ii) THE AMOUNT OF THE LIQUIDATED DAMAGES PROVIDED FOR IN SECTION 9.3(b) AND SECTION 9.3(c) IS A FAIR AND REASONABLE ESTIMATE OF SUCH DAMAGES UNDER THE CIRCUMSTANCES, AND (iii) RECEIPT OF SUCH LIQUIDATED DAMAGES BY THE RESPECTIVE PARTIES DOES NOT CONSTITUTE A PENALTY. THE PARTIES HEREBY FOREVER WAIVE AND AGREE TO FOREGO TO THE FULLEST EXTENT PERMITTED UNDER APPLICABLE LAW ANY AND ALL RIGHTS THEY HAVE OR IN THE FUTURE MAY HAVE TO ASSERT ANY CLAIM DISPUTING OR OTHERWISE OBJECTING TO ANY OR ALL OF THE FOREGOING PROVISIONS OF THIS SECTION 9. Any payment under Section 9.3(b) or Section 9.3(c) will be made by wire transfer of immediately available funds to a bank account in the United States of America designated in writing by the Party entitled to receive such payment not later than ten business days following the date such Party delivers notice of such account designation to the Party responsible to make such payment.

10. MISCELLANEOUS PROVISIONS.

10.1 Construction; Governing Law.

This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of New York without regard to principles of conflicts of laws.

10.2 Notices.

All notices, consents, directions, approvals, instructions, requests and other communications required or permitted by the terms of this Agreement shall be in writing, and shall be sent to the applicable Party at the following addresses or facsimile numbers, as applicable:

If to Novastar:

Novastar Resources Ltd.
c/o Sean Mulhearn
364 West 18th Street, Suite 5G
New York, NY 10001
Attention: Charles Merchant
Fax: (212) 366-4312

With a copy to:

Pillsbury Winthrop Shaw Pittman LLP
1540 Broadway
New York, NY 10036-4039
Attention: Jerry P. Peppers, Esq.
Fax: (212) 858-1500

If to Acquisition Sub:

TP Acquisition Corp.
c/o Novastar Resources Ltd.
c/o Sean Mulhearn
364 West 18th Street, Suite 5G
New York, NY 10001
Attention: Charles Merchant
Fax: (212) 366-4312
With a copy to:

Pillsbury Winthrop Shaw Pittman LLP
1540 Broadway
New York, NY 10036-4039
Attention: Jerry P. Peppers, Esq.
Fax: (212) 858-1500

If to Thorium Power:

Thorium Power, Inc.
8300 Greensboro Drive
Suite 800
McLean, VA 22102
Attention: Seth Grae
Fax: (202) 318-2502

With a copy to:

Thelen Reid & Priest LLP
701 Eighth Street, N.W.
Washington, DC 20001
Attention: Louis A. Bevilacqua, Esq.
Fax: (202) 654-1804

or to such other address or facsimile number as any Party may have furnished to each other Party in writing in accordance herewith. All notices, consents, directions, approvals, instructions, requests and other communications hereunder shall be sent and effective as follows: (i) on the business day delivered, when delivered personally; (ii) five (5) business days after mailing if mailed by registered or certified mail, return receipt requested (postage prepaid); (iii) on the next business day if sent by a nationally recognized overnight express courier service with all costs prepaid and provided evidence of delivery is available; or (iv) on the business day of a facsimile transmission if received on a business day before 5:00 p.m., local time, or on the next business day if received after that time, in each case provided that an automatic machine confirmation indicating the time of receipt is generated.

10.3 Assignment.

Neither this Agreement nor any right, remedy, obligation or liability arising hereunder or by reason hereof may be assigned by Novastar or Acquisition Sub without Thorium Power's prior written consent or by Thorium Power without Novastar's prior written consent. Nothing contained herein, express or implied, is intended to confer upon any Person other than the Parties hereto and their successors in interest and permitted assignees any rights or remedies under or by reason of this Agreement unless so expressly stated herein to the contrary.

10.4 Amendments And Waivers.

No breach of any covenant, agreement, warranty or representation shall be deemed waived unless expressly waived in writing by the Party who is entitled to assert such breach. No waiver of any right hereunder shall operate as a waiver of any other right or of the same or a similar right on another occasion. This Agreement and the Exhibits and Schedules hereto may be modified only by a written instrument duly executed by the Parties hereto.

10.5 Attorneys' Fees.

In the event that any action or proceeding is commenced by any Party hereto for the purpose of enforcing any provision of this Agreement, the Parties to such action or proceeding may receive as part of any award, judgment, decision or other resolution of such action, proceeding or arbitration their costs and attorneys' fees as determined by the Person or body making such

award, judgment, decision or resolution. Should any claim hereunder be settled short of the commencement of any such action or proceeding, the Parties in such settlement shall be entitled to include as part of the damages alleged to have been incurred costs of attorneys or other professionals in investigation or counseling on such claim.

10.6 Binding Nature of Agreement.

This Agreement includes each of the Schedules and Exhibits that are referred to herein or attached hereto, all of which are incorporated by reference herein. All the terms and provisions of this Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective executors, heirs, legal representatives, successors and permitted assigns.

10.7 Expenses.

The costs and expenses and the professional fees and disbursements incurred by Thorium Power in connection herewith shall be borne by Thorium Power. The costs and expenses and the professional fees and disbursements incurred by Novastar and Acquisition Sub in connection herewith shall be borne by Novastar and Acquisition Sub, respectively.

10.8 Entire Agreement.

This Agreement contains the entire understanding of the Parties with respect to the subject matter hereof, and supersedes all prior representations, agreements and understandings relating to the subject matter hereof.

10.9 Severability.

Any provision of this Agreement that is invalid, illegal or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability, without affecting in any way the remaining provisions hereof in such jurisdiction or rendering that or any other provision of this Agreement invalid, illegal or unenforceable in any other jurisdiction.

10.10 Counterparts; Signatures; Section Headings.

This Agreement may be executed by the Parties in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument. A facsimile signature shall bind the signatory in the same way that an original signature would bind the signatory. The headings of each section, subsection or other subdivision of this Agreement are for reference only and shall not limit or control the meaning thereof.

10.11 Waiver of Jury Trial.

EACH PARTY HERETO WAIVES THE RIGHT TO A TRIAL BY JURY IN ANY DISPUTE IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT AND THE RELATED AGREEMENTS, AND AGREES TO TAKE ANY AND ALL ACTION NECESSARY OR APPROPRIATE TO EFFECT SUCH WAIVER.

10.12 Submission to Jurisdiction. All actions or proceedings arising in connection with this Agreement shall be tried and litigated exclusively in the State of New York. The aforementioned choice of venue is intended by the parties to be mandatory and not permissive in nature, thereby precluding the possibility of litigation between the parties with respect to or arising out of this Agreement. Each party hereby waives (i) any right it may have to assert the doctrine of forum non conveniens or similar doctrine or to object to venue with respect to any proceeding brought in accordance with this Section 10.12, and (ii) the right each may have to a trial by jury.

10.13 Each party stipulates that the court in the State of New York shall have in personam jurisdiction over each of them for the purpose of litigating any such dispute, controversy or proceeding. Each party hereby authorizes and accepts service of process sufficient for personal jurisdiction in any action against it as contemplated by this Section 10.12 by registered or certified mail, return receipt requested, postage prepaid, to its address for the giving of notices as set forth in Section 10.2. Nothing herein shall affect the right of any party to serve process in any other manner permitted by law.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, this Agreement has been duly executed by the Parties hereto as of the date first written above.

NOVASTAR RESOURCES LTD.

By: /s/ Charles Merchant
Name: Charles Merchant
Title: Chief Operating Officer
and Interim Chief Executive Officer

TP ACQUISITION CORP.

By: /s/ Charles Merchant
Name: Charles Merchant
Title: President

THORIUM POWER, INC.

By: /s/ Seth Grae
Name: Seth Grae
Title: President

NOVASTAR RESOURCES LTD.

2006 STOCK PLAN

1. Purpose.

The purpose of this plan (the "Plan") is to secure for Novastar Resources Ltd. (the "Corporation") and its stockholders the benefits arising from capital stock ownership by employees, officers and directors of, and consultants or advisors to, the Corporation and its subsidiary corporations who are expected to contribute to the Corporation's future growth and success. The Plan permits grants of options to purchase shares of Common Stock, $0.001 par value per share, of the Corporation ("Common Stock") and awards of shares of Common Stock that are restricted as provided in Section 12 ("Restricted Shares"). Those provisions of the Plan which make express reference to Section 422 of the Internal Revenue Code of 1986, as amended or replaced from time to time (the "Code"), shall apply only to Incentive Stock Options (as that term is defined in the Plan).

2. Type of Options and Administration.

(a) Types of Options. Options granted pursuant to the Plan shall be authorized by action of the Board of Directors of the Corporation (or a Committee designated by the Board of Directors) and may be either incentive stock options ("Incentive Stock Options") meeting the requirements of Section 422 of the Code or non-statutory options which are not intended to meet the requirements of Section 422 of the Code.

(b) Administration. The Plan will be administered by the Board of Directors of the Corporation, whose construction and interpretation of the terms and provisions of the Plan shall be final and conclusive. The Board of Directors may in its sole discretion grant Restricted Shares and options to purchase shares of Common Stock and issue shares upon exercise of such options as provided in the Plan. The Board shall have authority, subject to the express provisions of the Plan, to construe the respective option and Restricted Share agreements and the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan, to determine the terms and provisions of the respective option and Restricted Share agreements, which need not be identical, and to make all other determinations in the judgment of the Board of Directors necessary or desirable for the administration of the Plan. The Board of Directors may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any option or Restricted Share agreement in the manner and to the extent it shall deem expedient to carry the Plan into effect and it shall be the sole and final judge of such expediency. No director or person acting pursuant to authority delegated by the Board of Directors shall be liable for any action or determination under the Plan made in good faith. The Board of Directors may, to the full extent permitted by or consistent with applicable laws or regulations (including, without limitation, applicable state law and Rule 16b-3 promulgated under the Securities Exchange Act of 1934 (the "Exchange Act"), or any successor rule ("Rule 16b-3")), delegate any or all of its powers under the Plan to a committee (the "Committee") appointed by the Board of Directors, and if the

Committee is so appointed all references to the Board of Directors in the Plan shall mean and relate to such Committee with respect to the powers so delegated. Any director to whom an option or stock grant is awarded shall be ineligible to vote upon his or her option or stock grant, but such option or stock grant may be awarded any such director by a vote of the remainder of the directors, except as limited below.

(c) Applicability of Rule 16b-3. Those provisions of the Plan which make express reference to Rule 16b-3 shall apply to the Corporation only at such time as the Corporation's Common Stock is registered under the Exchange Act, and then only to such persons as are required to file reports under Section 16(a) of the Exchange Act (a "Reporting Person").

(d) Compliance with Section 162(m) of the Code. Section 162(m) of the Code, added by the Omnibus Budget Reconciliation Act of 1993, generally limits the tax deductibility to publicly held companies of compensation in excess of $1,000,000 paid to certain “covered employees” (“Covered Employees”). It is the Corporation’s intention to preserve the deductibility of such compensation to the extent it is reasonably practicable and to the extent it is consistent with the Corporation’s compensation objectives. For purposes of this Plan, Covered Employees of the Corporation shall be those employees of the Corporation described in Section 162(m)(3) of the Code.

(e) Special Provisions Applicable to Options Granted to Covered Employees. In order for the full value of options granted to Covered Employees to be deductible by the Corporation for federal income tax purposes, the Corporation may intend for such options to be treated as “qualified performance based compensation” as described in Treas. Reg. §1.162-27(e) (or any successor regulation). In such case, options granted to Covered Employees shall be subject to the following additional requirements:

(i) such options and rights shall be granted only by a committee comprised solely of two or more “outside directors”, within the meaning of Treas. Reg. § 1.162.27(e)(3); and

(ii) the exercise price of such options shall in no event be less than the Fair Market Value (as defined below) of the Common Stock as of the date of grant of such options.

(f) Section 409A of the Code. The Board of Directors may only grant those awards that either comply with the applicable requirements of Section 409A of the Code, or do not result in the deferral of compensation within the meaning of Section 409A of the Code.

3. Eligibility.

(a) (a) General. Options and Restricted Shares may be granted to persons who are, at the time of grant, in a Business Relationship (as defined below) with the Corporation; provided, that Incentive Stock Options may only be granted to individuals who are employees of the Corporation (within the meaning of Section 3401(c) of the Code). A person who has been granted an option or Restricted Shares may, if he or she is otherwise eligible, be granted

additional options or Restricted Shares if the Board of Directors shall so determine. For purposes of the Plan, "Business Relationship" means that a person is serving the Corporation, its parent, if applicable, or any of its subsidiaries, if applicable, in the capacity of an employee, officer, director, advisor or consultant.

(b) Grant of Options to Reporting Persons. From and after the registration of the Common Stock of the Corporation under the Exchange Act, the selection of a director or an officer who is a Reporting Person (as the terms "director" and "officer" are defined for purposes of Rule 16b-3) as a recipient of an option or Restricted Shares, the timing of the option or Restricted Share grant, the exercise price of the option and the number of Restricted Shares or shares subject to the option shall be determined either (i) by the Board of Directors, or (ii) by a committee consisting of two or more "Non-Employee Directors" having full authority to act in the matter. For the purposes of the Plan, a director shall be deemed to be a "Non-Employee Director" only if such person qualifies as a "Non-Employee Director" within the meaning of Rule 16b-3, as such term is interpreted from time to time.

4. Stock Subject to Plan.

The stock subject to options granted under the Plan or grants of Restricted Shares shall be shares of authorized but unissued or reacquired Common Stock. Subject to adjustment as provided in Section 16 below, the maximum number of shares of Common Stock of the Corporation ("Shares") which may be issued and sold under the Plan is 20 million Shares. If any Restricted Shares shall be reacquired by the Corporation, forfeited or an option granted under the Plan shall expire, terminate or is canceled for any reason without having been exercised in full, the forfeited Restricted Shares or unpurchased Shares subject to such option shall again be available for subsequent option or Restricted Share grants under the Plan. Subject to adjustment in accordance with Section 16:

(a) No more than an aggregate of 20 million Shares may be issued under Incentive Stock Options during the term of the Plan;

(b) No more than an aggregate of 10 million Shares may be issued in the form of Restricted Shares during the term of the Plan;

(c) The maximum number of Shares with respect to which options may be granted to any one person during any fiscal year of the Corporation may not exceed eight million Shares; and

(d) The maximum number of Restricted Shares which may be granted to any one person during any fiscal year of the Corporation may not exceed five million Shares.

These limits shall be applied and construed consistently with Section 162(m) of the Code.

5. Forms of Option and Restricted Share Agreements.

As a condition to the grant of Restricted Shares or an option under the Plan, each recipient of Restricted Shares or an option shall execute an option or Restricted Share agreement in such form not inconsistent with the Plan as may be approved by the Board of Directors. Such option or Restricted Share agreements may differ among recipients.

6. Purchase Price.

(a) General. The purchase price per Share deliverable upon the exercise of an option shall be determined by the Board of Directors at the time of grant of such option; provided, however, that the exercise price of an option shall not be less than 100% of the Fair Market Value (as hereinafter defined) of a Share, at the time of grant of such option, or less than 110% of such Fair Market Value in the case of an Incentive Stock Option described in Section 11(b). "Fair Market Value" of a Share as of a specified date for the purposes of the Plan shall mean the closing price of a Share on the principal securities exchange on which such Shares are traded on the day immediately preceding the date as of which Fair Market Value is being determined, or on the next preceding date on which such Shares are traded if no shares were traded on such immediately preceding day, or if the Shares are not traded on a securities exchange, Fair Market Value shall be deemed to be the average of the high bid and low asked prices of the Shares in the over-the-counter market on the day immediately preceding the date as of which Fair Market Value is being determined or on the next preceding date on which such high bid and low asked prices were recorded. In no case shall Fair Market Value be determined with regard to restrictions other than restrictions which, by their terms, will never lapse. The Board of Directors may also permit optionees, either on a selective or aggregate basis, to simultaneously exercise options and sell the Shares thereby acquired, pursuant to a brokerage or similar arrangement, approved in advance by the Board of Directors, and to use the proceeds from such sale as payment of the purchase price of such shares.

(b) Payment of Purchase Price. Options granted under the Plan may provide for the payment of the exercise price by delivery of cash or a check to the order of the Corporation in an amount equal to the exercise price of such options, or, to the extent provided in the applicable option agreement, (i) by delivery to the Corporation of Shares having a Fair Market Value on the date of exercise equal in amount to the exercise price of the options being exercised, (ii) through any cashless exercise feature that may be included in the option agreement covering a particular option grant, (iii) by any other means which the Board of Directors determines are consistent with the purpose of the Plan and with applicable laws and regulations (including, without limitation, the provisions of Rule 16b-3 and Regulation T promulgated by the Federal Reserve Board) or (iv) by any combination of such methods of payment.

7. Option Period.

Subject to earlier termination as provided in the Plan, each option and all rights thereunder shall expire on such date as determined by the Board of Directors and set forth in the

applicable option agreement, provided, that such date shall not be later than (10) ten years after the date on which the option is granted.

8. Exercise of Options.

Each option granted under the Plan shall be exercisable either in full or in installments at such time or times and during such period as shall be set forth in the option agreement evidencing such option, subject to the provisions of the Plan. No option granted to a Reporting Person for purposes of the Exchange Act, however, shall be exercisable during the first six months after the date of grant. Subject to the requirements in the immediately preceding sentence, if an option is not at the time of grant immediately exercisable, the Board of Directors may (i) in the agreement evidencing such option, provide for the acceleration of the exercise date or dates of the subject option upon the occurrence of specified events, and/or (ii) at any time prior to the complete termination of an option, accelerate the exercise date or dates of such option, unless it would cause an option that otherwise qualified as an Incentive Stock Option to lose Incentive Stock Option treatment by application of Section 422(d)(1) of the Code and Section 11(c) of the Plan.

9. Nontransferability of Options.

No option granted under this Plan shall be assignable or otherwise transferable by the optionee except by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order as defined in the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or the rules thereunder. An option may be exercised during the lifetime of the optionee only by the optionee. In the event an optionee dies during his employment by the Corporation or any of its subsidiaries, or during the three-month period following the date of termination of such employment, his option shall thereafter be exercisable, during the period specified to the full extent to which such option was exercisable by the optionee at the time of his death during the periods set forth in Section 10 or 11(d). If any optionee should attempt to dispose of or encumber his or her options, other than in accordance with the applicable terms of this Plan or the applicable option agreement, his or her interest in such options shall terminate.

10. Effect of Termination of Employment or Other Relationship.

Except as provided in Section 11(d) with respect to Incentive Stock Options, and subject to the provisions of the Plan and the applicable option agreement, an optionee may exercise an option (but only to the extent such option was exercisable at the time of termination of the optionee's employment or other relationship with the Corporation) at any time within three (3) months following the termination of the optionee's employment or other relationship with the Corporation or within one (1) year if such termination was due to the death or disability of the optionee, but, except in the case of the optionee's death, in no event later than the expiration date of the Option. If the termination of the optionee's employment is for cause or is otherwise

attributable to a breach by the optionee of an employment or confidentiality or non-disclosure agreement, the option shall expire immediately upon such termination. The Board of Directors shall have the power to determine what constitutes a termination for cause or a breach of an employment or confidentiality or non-disclosure agreement, whether an optionee has been terminated for cause or has breached such an agreement, and the date upon which such termination for cause or breach occurs. Any such determinations shall be final and conclusive and binding upon the optionee.

11. Incentive Stock Options.

Options granted under the Plan which are intended to be Incentive Stock Options shall be subject to the following additional terms and conditions:

(a) Express Designation. All Incentive Stock Options granted under the Plan shall, at the time of grant, be specifically designated as such in the option agreement covering such Incentive Stock Options.

(b) 10% Stockholder. If any employee to whom an Incentive Stock Option is to be granted under the Plan is, at the time of the grant of such option, the owner of stock possessing more than 10% of the total combined voting power of all classes of stock of the Corporation (after taking into account the attribution of stock ownership rules of Section 424(d) of the Code), then the following special provisions shall be applicable to the Incentive Stock Option granted to such individual:

(i) The purchase price per share of the Common Stock subject to such Incentive Stock Option shall not be less than 110% of the Fair Market Value of one share of Common Stock at the time of grant; and

(ii) the option exercise period shall not exceed five years from the date of grant.

(c) Dollar Limitation. For so long as the Code shall so provide, options granted to any employee under the Plan (and any other incentive stock option plans of the Corporation) which are intended to constitute Incentive Stock Options shall not constitute Incentive Stock Options to the extent that such options, in the aggregate, become exercisable for the first time in any one calendar year for shares of Common Stock with an aggregate Fair Market Value, as of the respective date or dates of grant, of more than $100,000 (or such other limitations as the Code may provide).

(d) Termination of Employment, Death or Disability. No Incentive Stock Option may be exercised unless, at the time of such exercise, the optionee is, and has been continuously since the date of grant of his or her option, employed by the Corporation, except that, unless otherwise specified in the applicable option agreement:

(i) an Incentive Stock Option may be exercised within the period of three months after the date the optionee ceases to be an employee of the Corporation (or within such lesser period as may be specified in the applicable option agreement), provided, that the agreement with respect to such option may designate a longer exercise period and that the exercise after such three-month period shall be treated as the exercise of a non-statutory option under the Plan;

(ii) if the optionee dies while in the employ of the Corporation, or within three months after the optionee ceases to be such an employee, the Incentive Stock Option may be exercised by the person to whom it is transferred by will or the laws of descent and distribution within the period of one year after the date of death (or within such lesser period as may be specified in the applicable option agreement); and

(iii) if the optionee becomes disabled (within the meaning of Section 22(e)(3) of the Code or any successor provisions thereto) while in the employ of the Corporation, the Incentive Stock Option may be exercised within the period of one year after the date the optionee ceases to be such an employee because of such disability (or within such lesser period as may be specified in the applicable option agreement).

For all purposes of the Plan and any option granted hereunder, "employment" shall be defined in accordance with the provisions of Section 1.421-1(h) of the Income Tax Regulations (or any successor regulations). Notwithstanding the foregoing provisions no Incentive Stock Option may be exercised after its expiration date.

12. Restricted Shares.

(a) Awards. The Board of Directors may from time to time in its discretion award Restricted Shares to persons having a Business Relationship with the Corporation and may determine the number of Restricted Shares awarded and the terms and conditions of, and the amount of payment, if any, to be made by such persons. Each award of Restricted Shares will be evidenced by a written agreement executed on behalf of the Corporation and containing terms and conditions not inconsistent with the Plan as the Board of Directors shall determine to be appropriate in its sole discretion.

(b) Restricted Period; Lapse of Restrictions. At the time an award of Restricted Shares is made, the Board of Directors shall establish a period of time (the "Restricted Period") applicable to such award which shall not be less than one year nor more than ten years. Each award of Restricted Shares may have a different Restricted Period. In lieu of establishing a Restricted Period, the Board of Directors may establish restrictions based only on the achievement of specified performance measures. At the time an award is made, the Board of Directors may, in its discretion, prescribe conditions for the incremental lapse of restrictions during the Restricted Period and for the lapse or termination of restrictions upon the occurrence of other conditions in addition to or other than the expiration of the Restricted Period with

respect to all or any portion of the Restricted Shares. Such conditions may include, without limitation, the death or disability of the participant to whom Restricted Shares are awarded, retirement of the participant pursuant to normal or early retirement under any retirement plan of the Corporation or termination by the Corporation of the participant's employment other than for cause, or the occurrence of a change in control of the Corporation. Such conditions may also include performance measures, which, in the case of any such award of Restricted Shares to a participant who is a "covered employee" within the meaning of Section 162(m) of the Code, shall be based on one or more of the following criteria: earnings per share, market value per share, return on invested capital, return on operating assets and return on equity. The Board of Directors may also, in its discretion, shorten or terminate the Restricted Period or waive any conditions for the lapse or termination of restrictions with respect to all or any portion of the Restricted Shares at any time after the date the award is made.

(c) Rights of Holder; Limitations Thereon. Upon an award of Restricted Shares, a stock certificate representing the number of Restricted Shares awarded to the participant shall be registered in the participant's name and, at the discretion of the Board of Directors, will be either delivered to the participant with an appropriate legend or held in custody by the Corporation or a bank for the participant's account. The participant shall generally have the rights and privileges of a stockholder as to such Restricted Shares, including the right to vote such Restricted Shares, except that the following restrictions shall apply: (i) with respect to each Restricted Share, the participant shall not be entitled to delivery of an unlegended certificate until the expiration nor termination of the Restricted Period, and the satisfaction of any other conditions prescribed by the Board of Directors, relating to such Restricted Share; (ii) with respect to each Restricted Share, such share may not be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of until the expiration of the Restricted Period, and the satisfaction of any other conditions prescribed by the Board of Directors, relating to such Restricted Share (except, subject to the provisions of the participant's stock restriction agreement, by will or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or Title I of ERISA or the rules promulgated thereunder) and (iii) all of the Restricted Shares as to which restrictions have not at the time lapsed shall be forfeited and all rights of the participant to such Restricted Shares shall terminate without further obligation on the part of the Corporation unless the participant has remained in a Business Relationship with the Corporation or any of its subsidiaries until the expiration or termination of the Restricted Period and the satisfaction of any other conditions prescribed by the Board of Directors applicable to such Restricted Shares. Upon the forfeiture of any Restricted Shares, such forfeited shares shall be transferred to the Corporation without further action by the participant. At the discretion of the Board of Directors, cash and stock dividends with respect to the Restricted Shares may be either currently paid or withheld by the Corporation for the participant's account, and interest may be paid on the amount of cash dividends withheld at a rate and subject to such terms as determined by the Board of Directors. The participant shall have the same rights and privileges, and be subject to the same restrictions, with respect to any shares received pursuant to Section 16 hereof.

(d) Delivery of Unrestricted Shares. Upon the expiration or termination of the Restricted Period and the satisfaction of any other conditions prescribed by the Board of Directors, the restrictions applicable to the Restricted Shares shall lapse and a stock certificate

for the number of Restricted Shares with respect to which the restrictions have lapsed shall be delivered, free of all such restrictions, except any that may be imposed by law including without limitation securities laws, to the participant or the participant's beneficiary or estate, as the case may be. The Corporation shall not be required to deliver any fractional share of Common Stock but will pay, in lieu thereof, the fair market value (determined as of the date the restrictions lapse) of such fractional share to the participant or the participant's beneficiary or estate, as the case may be.

13. Additional Provisions.

(a) Additional Provisions. The Board of Directors may, in its sole discretion, include additional provisions in option or Restricted Stock agreements covering options or Restricted Stock granted under the Plan, including without limitation, restrictions on transfer, repurchase rights, rights of first refusal, commitments to pay cash bonuses, to make, arrange for or guaranty loans or to transfer other property to optionees upon exercise of options, or such other provisions as shall be determined by the Board of Directors; provided, that such additional provisions shall not be inconsistent with any other term or condition of the Plan and such additional provisions shall not cause any Incentive Stock Option granted under the Plan to fail to qualify as an Incentive Stock Option within the meaning of Section 422 of the Code or result in the imposition of an additional tax under Section 409A of the Code.

(b) Acceleration, Extension, Etc. The Board of Directors may, in its sole discretion, (i) accelerate the date or dates on which all or any particular option or options granted under the Plan may be exercised or (ii) extend the dates during which all, or any particular, option or options granted under the Plan may be exercised if it would not cause any Incentive Stock Option granted under the Plan to fail to qualify as an Incentive Stock Option within the meaning of Section 422 of the Code or result in the imposition of an additional tax under Section 409A of the Code.

14. General Restrictions.

(a) Investment Representations. The Corporation may require any person to whom Restricted Shares or an option is granted, as a condition of receiving such Restricted Shares or exercising such option, to give written assurances in substance and form satisfactory to the Corporation to the effect that such person is acquiring the Restricted Shares or Common Stock subject to the option for his or her own account for investment and not with any present intention of selling or otherwise distributing the same, and to such other effects as the Corporation deems necessary or appropriate in order to comply with federal and applicable state securities laws, or with covenants or representations made by the Corporation in connection with any public offering of its Common Stock.

(b) Compliance with Securities Law. Each option and grant of Restricted Shares shall be subject to the requirement that if, at any time, counsel to the Corporation shall determine that the listing, registration or qualification of the Restricted Shares or shares subject to such

option upon any securities exchange or under any state or federal law, or the consent or approval of any governmental or regulatory body, or that the disclosure of non-public information or the satisfaction of any other condition is necessary as a condition of, or in connection with the issuance or purchase of shares thereunder, such Restricted Shares shall not be granted and such option may not be exercised, in whole or in part, unless such listing, registration, qualification, consent or approval, or satisfaction of such condition shall have been effected or obtained on conditions acceptable to the Board of Directors. Nothing herein shall be deemed to require the Corporation to apply for or to obtain such listing, registration or qualification, or to satisfy such condition.

15. Rights as a Stockholder.

The holder of an option shall have no rights as a stockholder with respect to any shares covered by the option (including, without limitation, any rights to receive dividends or non-cash distributions with respect to such shares) until the date of issue of a stock certificate to him or her for such shares. No adjustment shall be made for dividends or other rights for which the record date is prior to the date such stock certificate is issued.

16. Adjustment Provisions for Recapitalization, Reorganizations and Related Transactions.

(a) Recapitalization and Related Transactions. If, through or as a result of any recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar transaction, (i) the outstanding shares of Common Stock are increased, decreased or exchanged for a different number or kind of shares or other securities of the Corporation, or (ii) additional shares or new or different shares or other non-cash assets are distributed with respect to such shares of Common Stock or other securities, an appropriate and proportionate adjustment shall be made in (x) the maximum number and kind of shares reserved for issuance under the Plan, (y) the number and kind of Restricted Shares granted and shares or other securities subject to any then outstanding options under the Plan, and (z) the exercise price for each share subject to any then outstanding options under the Plan, without changing the aggregate purchase price as to which such options remain exercisable. Notwithstanding the foregoing, no adjustment shall be made pursuant to this Section 16 if such adjustment (i) would cause the Plan to fail to comply with Section 422 of the Code or with Rule 16b-3 or (ii) would be considered as the adoption of a new plan requiring stockholder approval.

(b) Reorganization, Merger and Related Transactions. If the Corporation shall be the surviving corporation in any reorganization, merger or consolidation of the Corporation with one or more other corporations, any then outstanding Restricted Shares or option granted pursuant to the Plan shall pertain to and apply to the securities to which a holder of the number of shares of Common Stock subject to such Restricted Shares or options would have been entitled immediately following such reorganization, merger, or consolidation, with a corresponding proportionate adjustment of the purchase price as to which such options may be exercised so that the aggregate purchase price as to which such options may be exercised shall be the same as the

aggregate purchase price as to which such options may be exercised for the shares remaining subject to the options immediately prior to such reorganization, merger, or consolidation.

(c) Board Authority to Make Adjustments . Any adjustments made under this Section 16 will be made by the Board of Directors, whose determination as to what adjustments, if any, will be made and the extent thereof will be final, binding and conclusive. No fractional shares will be issued under the Plan on account of any such adjustments.

17. Merger, Consolidation, Asset Sale, Liquidation, Etc.

(a) General. In the event of a consolidation or merger in which the Corporation is not the surviving corporation, or sale of all or substantially all of the assets of the Corporation in which outstanding shares of Common Stock are exchanged for securities, cash or other property of any other corporation or business entity or in the event of a liquidation of the Corporation (collectively, a "Corporate Transaction"), the Board of Directors of the Corporation, or the board of directors of any corporation assuming the obligations of the Corporation, may, in its discretion, take any one or more of the following actions, as to outstanding options: (i) provide that such Restricted Shares or options shall be assumed, or equivalent Restricted Shares or options shall be substituted, by the acquiring or succeeding corporation (or an affiliate thereof), provided that any such options substituted for Incentive Stock Options shall meet the requirements of Section 424(a) of the Code, (ii) upon written notice, provide that all unexercised options and Restricted Shares will terminate immediately prior to the consummation of such transaction unless such options are exercised by the optionee within a specified period following the date of such notice, (iii) in the event of a Corporate Transaction under the terms of which holders of the Common Stock of the Corporation will receive upon consummation thereof a cash payment for each share surrendered in the Corporate Transaction (the "Transaction Price"), make or provide for a cash payment to the optionees equal to the difference between (A) the Transaction Price times the number of shares of Common Stock subject to such outstanding options (to the extent then exercisable at prices not in excess of the Transaction Price) and (B) the aggregate exercise price of all such outstanding options in exchange for the termination of such options, and (iv) provide that all restrictions on Restricted Shares shall lapse in full or in part and all or any outstanding options shall become exercisable in full or in part immediately prior to such event.

(b) Substitute Restricted Shares or Options. The Corporation may grant Restricted Shares or options under the Plan in substitution for Restricted Shares or options held by persons in a Business Relationship with another corporation who enter into a Business Relationship with the Corporation, or a subsidiary of the Corporation, as the result of a merger or consolidation of the employing corporation with the Corporation or a subsidiary of the Corporation, or as a result of the acquisition by the Corporation, or one of its subsidiaries, of property or stock of the other corporation. The Corporation may direct that substitute Restricted Shares or options be granted on such terms and conditions as the Board of Directors considers appropriate in the circumstances.

18. No Special Employment Rights.

Nothing contained in the Plan or in any Restricted Share or option agreement shall confer upon any holder of Restricted Shares or optionee any right with respect to the continuation of his or her employment by, or other Business Relationship with, the Corporation or interfere in any way with the right of the Corporation at any time to terminate such employment or Business Relationship or to increase or decrease the compensation of the optionee.

19. Other Employee Benefits.

Except as to plans which by their terms include such amounts as compensation, the amount of any compensation deemed to be received by an employee as a result of the grant of Restricted Shares or lapse of restrictions thereon, the exercise of an option or the sale of shares received upon such exercise will not constitute compensation with respect to which any other employee benefits of such employee are determined, including, without limitation, benefits under any bonus, pension, profit-sharing, life insurance or salary continuation plan, except as otherwise specifically determined by the Board of Directors.

20. Amendment of the Plan.

(a) The Board of Directors may at any time, and from time to time, modify or amend the Plan in any respect, except that if at any time the approval of the stockholders of the Corporation is required under Section 422 of the Code or any successor provision with respect to Incentive Stock Options, or the legal requirements relating to the administration of equity compensation plans, if any, under applicable provisions of federal securities laws, applicable state corporate and securities laws, the Code, the rules of any applicable stock exchange or national market system or quotation system on which the Common Stock is listed or quoted, and the applicable laws and rules of any foreign country or jurisdiction where awards are, or will be, granted under the Plan.

(b) The termination or any modification or amendment of the Plan shall not, without the consent of an optionee or holder of Restricted Shares, affect his or her rights under an option or grant of Restricted Shares previously granted to him or her. With the consent of the optionee or holder of Restricted Shares affected, the Board of Directors may amend outstanding option or Restricted Share agreements in a manner not inconsistent with the Plan. The Board of Directors shall have the right to amend or modify the terms and provisions of the Plan and of any outstanding Incentive Stock Options granted under the Plan to the extent necessary to qualify any or all such options for such favorable federal income tax treatment (including deferral of taxation upon exercise) as may be afforded incentive stock options under Section 422 of the Code.

21. Withholding.

(a) The Corporation shall have the right to deduct from payments of any kind otherwise due to the optionee or holder of Restricted Shares any federal, state or local taxes of any kind required by law to be withheld with respect to any shares issued upon exercise of options or lapse of restrictions on Restricted Shares under the Plan. Subject to the prior approval of the Corporation, which may be withheld by the Corporation in its sole discretion, the optionee or holder of Restricted Shares may elect to satisfy such obligations, in whole or in part, (i) by causing the Corporation to withhold shares of Common Stock otherwise issuable pursuant to the exercise of an option or lapse of restrictions on Restricted Shares or (ii) by delivering to the Corporation shares of Common Stock already owned by the optionee or holder of Restricted Shares. The shares so delivered or withheld shall have a Fair Market Value equal to such withholding obligation as of the date that the amount of tax to be withheld is to be determined. An optionee who has made an election pursuant to this Section 21(a) may satisfy his or her withholding obligation only with shares of Common Stock which are not subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements.

(b) The acceptance of shares of Common Stock upon exercise of an Incentive Stock Option shall constitute an agreement by the optionee (i) to notify the Corporation if any or all of such shares are disposed of by the optionee within two years from the date the option was granted or within one year from the date the shares were transferred to the optionee pursuant to the exercise of the option, and (ii) if required by law, to remit to the Corporation, at the time of and in the case of any such disposition, an amount sufficient to satisfy the Corporation's federal, state and local withholding tax obligations with respect to such disposition, whether or not, as to both (i) and (ii), the optionee is in the employ of the Corporation at the time of such disposition.

(c) Notwithstanding the foregoing, in the case of a Reporting Person whose options have been granted in accordance with the provisions of Section 3(b) herein, no election to use shares for the payment of withholding taxes shall be effective unless made in compliance with any applicable requirements of Rule 16b-3.

22. Section 162(m) of the Code. The Board of Directors, in its sole discretion, may require that one or more agreements contain provisions which provide that, in the event Section 162(m) of the Code, or any successor provision relating to excessive employee remuneration, would operate to disallow a deduction by the Corporation for all or part of any payment of an award under the Plan, a grantee’s receipt of the portion that would not be deductible by the Corporation shall be deferred to either the earliest date at which the Board reasonably anticipates that the grantee's remuneration either does not exceed the limit set forth in Section 162(m) of the Code or is not subject to Section 162(m) of Code, or the calendar year in which the grantee separates from service. This Section 22 shall be applied and construed consistently with Section 409A of the Code and the regulations (and guidance) thereunder.

23. Effective Date and Duration of the Plan.

(a) Effective Date. The Plan shall become effective when adopted by the Board of Directors, but no Incentive Stock Option granted under the Plan shall become exercisable unless and until the Plan shall have been approved by the Corporation's stockholders. If such stockholder approval is not obtained within twelve (12) months after the date of the Board's adoption of the Plan, no options previously granted under the Plan shall be deemed to be Incentive Stock Options and no Incentive Stock Options shall be granted thereafter. Amendments to the Plan not requiring stockholder approval shall become effective when adopted by the Board of Directors; amendments requiring stockholder approval (as provided in Section 20) shall become effective when adopted by the Board of Directors, but no Incentive Stock Option granted after the date of such amendment shall become exercisable (to the extent that such amendment to the Plan was required to enable the Corporation to grant such Incentive Stock Option to a particular optionee) unless and until such amendment shall have been approved by the Corporation's stockholders. If such stockholder approval is not obtained within twelve (12) months of the Board's adoption of such amendment, any Incentive Stock Options granted on or after the date of such amendment shall terminate to the extent that such amendment to the Plan was required to enable the Corporation to grant such option to a particular optionee. Subject to this limitation, options may be granted under the Plan at any time after the effective date and before the date fixed for termination of the Plan.

(b) Termination. Unless sooner terminated in accordance with Section 17, the Plan shall terminate upon the earlier of (i) the close of business on the day next preceding the tenth anniversary of the date of its adoption by the Board of Directors, or (ii) the date on which all shares available for issuance under the Plan shall have been issued pursuant to the exercise or cancellation of Restricted Shares or options granted under the Plan. If the date of termination is determined under (i) above, then Restricted Shares or options outstanding on such date shall continue to have force and effect in accordance with the provisions of the instruments evidencing such Restricted Shares or options.

24. Governing Law.

The provisions of this Plan shall be governed and construed in accordance with the laws of the State of Nevada without regard to the principles of conflicts of laws.

Adopted by the Board of Directors on February 14, 2006

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT, dated as of February 14, 2006 (this "Agreement"), between NOVASTAR RESOURCES LTD., a Nevada corporation (the "Company"), and SETH GRAE, an individual (the "Executive").

BACKGROUND

The Company is entering into a merger agreement on or about the date hereof (the "Merger Agreement"), pursuant to which the Company is acquiring all of the issued and outstanding capital stock of Thorium Power, Inc ("Thorium Power"). The Executive is the Chief Executive Officer and President of Thorium Power. The execution and delivery of this Agreement is a condition precedent to the consummation of the transactions contemplated by the Merger Agreement (the "Closing").

The Company wishes to secure the services of the Executive as the Chief Executive Officer and President of the Company upon the terms and conditions hereinafter set forth, and the Executive wishes to render such services to the Company upon the terms and conditions hereinafter set forth.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants herein contained and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

1. Employment by the Company. The Company agrees to employ the Executive in the position of Chief Executive Officer and President and the Executive accepts such employment and agrees to perform the duties that are customarily performed of a Chief Executive Officer and President of a company like the Company. Except to the extent that the Executive deems it necessary to tend to the affairs of Thorium Power prior to the Closing, the Executive agrees to devote his full business time and energies to the business of the Company and/or its Subsidiaries and/or Affiliates and to faithfully, diligently and competently perform his duties hereunder.

2. Term of Employment. The term of this Employment Agreement (the "Term") shall be for the initial period commencing on the date that the Company provides the Executive with a certificate of insurance that indicates that the Company has obtained directors and officers liability insurance coverage sufficient to cover liabilities of at least $5,000,000 and ending on the fifth anniversary of the date thereof (provided that the provisions of Section 6 hereof shall survive any such termination), unless the Executive is earlier terminated as provided in Section 4 hereof. The Term of this Agreement shall automatically be extended for additional one year periods following the expiration of the initial Term unless either party notifies the other party in writing that it does not want to renew this Agreement within 30 days prior to the expiration of the initial Term or any renewal Term.

3. Compensation. As full compensation for all services to be rendered by the Executive to the Company and/or its Subsidiaries and/or Affiliates in all capacities during the Term, the Executive shall receive the following compensation and benefits:

3.1 Salary. An annual base salary of $275,000 (the "Base Salary") payable not less frequently than monthly or at more frequent intervals in accordance with the then customary payroll practices of the Company. The board of directors of the Company shall review the Executive's performance on an annual basis and shall suggest increases (but not decreases) to the Executive's Base Salary as the board of directors of the Company deems appropriate.

3.2 Equity Participation.

(a) The Company shall promptly (and in any event, within 5 business days) issue to the Executive 5,000,000 shares of the Company's Common Stock. The Executive shall not directly or indirectly sell, transfer or otherwise dispose of 2,500,000 of such shares for a period of one year and the remaining 2,500,000 shares 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; provided that the transferee in such instance agrees in writing to be similarly bound to such transfer restriction. For the avoidance of doubt, all 5,000,000 shares are immediately earned upon issuance and not subject to any vesting or repurchase right in favor of the Company or any other person. The shares will bear a customary restrictive legend that refers to the aforementioned transfer restriction and applicable transfer restrictions under the Securities Act of 1933 and the stop transfer orders shall be imposed against the shares.

(b) The Executive shall be eligible to participate in the Company's 2006 Stock Plan (the "Plan"). The Executive shall, upon execution of this Agreement, be granted options to acquire 7,200,000 shares of Common Stock, $0.001 par value, of the Company pursuant to the Plan. Such options shall vest and become exercisable in accordance with the provisions of a separate Stock Option Agreement which shall be entered into between the Executive and the Company on or about the date hereof and which shall provide (a) that the options are intended to be nonqualified stock options, (b) an exercise price equal to the fair market value of the Company's Common Stock on the date of grant, (c) for vesting in equal monthly installments over a four year term beginning on the six month anniversary of the date of grant (provided that 6/48 of the option will vest on such six month anniversary) with accelerated vesting upon (i) a Change of Control (as defined below), (ii) termination of the Executive by the Company without Cause (as defined below), or (iii) the cessation of the Executive's employment with the Company for Good Reason (as defined below), and (d) for a ten year term.

3.3 Bonus. In addition to the Base Salary, the Executive shall be entitled to an annual incentive bonus of up to 50% of the Executive's Base Salary. In making its determination of what percentage of Base Salary the Executive will be entitled to as a bonus, the board of directors of the Company will consider the Company's progress with regard to achievement of the following milestones: new patents, government grants and appropriations, partnering and

teaming arrangements with other companies (including the University of Texas and General Atomics), testing and other advancement of technology in Russia, Europe and elsewhere, revenues, revenue generating events, earnings, attracting other qualified key employees, and investor relations.

3.4 Special Bonus. The Company shall pay to the Executive a special bonus in the amount of $100,000 in cash promptly upon the grant by any agency of the United States Government of at least $5,000,000 in new funding for any thorium fuel or thorium fuel-related development and testing project (it being understood that such funding will likely be provided to U.S. national laboratories, Russian research institutes and/or U.S. government contractors).

3.5 Perquisites. Given the significant amount of travel that the Executive will be expected to undertake, during the Term, the Company will provide, or arrange to have provided, to the Executive the use of an automobile.

3.6 Participation in Employee Benefit Plans; Other Benefits. The Executive shall be permitted during the Term to participate in all employee benefit plans, policies and practices now or hereafter maintained by or on behalf of the Company commensurate with the Executive's position with the Company. During the Term, the Company will maintain a group health and dental program, group life insurance, short and long term disability insurance, 401(k) plan, paid vacation, paid sick leave, paid holidays and unpaid leave.

3.7 Expenses. The Company shall pay or reimburse the Executive for all reasonable and necessary expenses actually incurred or paid by the Executive during the Term in the performance of the Executive's duties under this Agreement, upon submission and approval of expense statements, vouchers or other supporting information in accordance with the then customary practices of the Company.

3.8 Vacation. The Executive shall be entitled to four weeks of paid vacation time per year.

3.9 Withholding of Taxes. The Company may withhold from any benefits payable under this Agreement all federal, state, city and other taxes as shall be required pursuant to any law or governmental regulation or ruling.

3.10 Credit From Thorium Power Employment Agreement. The Company acknowledges and agrees that the Executive is currently acting, and will continue to act, as the Chief Executive Officer and President of Thorium Power and that Thorium Power does, and will continue to, compensate the Executive for the performance of such services. The Executive shall cease receiving compensation from Thorium Power at the Closing. Until such time, any cash compensation actually received by the Executive from Thorium Power for services rendered in the Executive’s capacity as the Chief Executive Officer and President of Thorium Power shall be credited toward the cash components of the Executive’s compensation under this Section 3.

4. Termination.

4.1 Termination upon Death. If the Executive dies during the Term, this Agreement shall terminate as of the date of his death.

4.2 Termination upon Disability. If during the Term the Executive becomes physically or mentally disabled, whether totally or partially, so that the Executive is unable to perform his essential job functions hereunder for a period aggregating 180 days during any twelve-month period, and it is determined by a physician acceptable to both the Company and the Executive that, by reason of such physical or mental disability, the Executive shall be unable to perform the essential job functions required of him hereunder for such period or periods, the Company may, by written notice to the Executive, terminate this Agreement, in which event the Term shall terminate 10 days after the date upon which the Company shall have given notice to the Executive of its intention to terminate this Agreement because of the disability.

4.3 Termination for Cause. The Company may at any time by written notice to the Executive terminate this Agreement immediately and, except as provided in Section 5.2 hereof, the Executive shall have no right to receive any compensation or benefit hereunder on and after the date of such notice, in the event that an event of "Cause" occurs. For purposes of this Agreement "Cause" shall mean (a) conviction of a felony, bad faith or willful gross misconduct that, in any case, results in material damage to the business or reputation of the Company; or (b) willful and continued failure to perform his duties hereunder (other than such failure resulting from the Executive's incapacity due to physical or mental illness or after the issuance of a notice of termination by the Executive for Good Reason) within 30 days after the Company delivers to him a written demand for performance that specifically identifies the actions to be performed. For purposes of this Section 4.3, no act or failure to act by the Executive shall be considered "willful" if such act is done by the Executive in the good faith belief that such act is or was to be beneficial to the Company or one or more of its businesses, or such failure to act is due to the Executive's good faith belief that such action would be materially harmful to the Company or one of its businesses. Cause shall not exist unless and until the Company has delivered to the Executive a copy of a resolution duly adopted by the board of directors (excluding the Executive for purposes of adoption) at a meeting of the board of directors of the Company called and held for such purpose after reasonable (but in no event less than thirty days') notice to the Executive and an opportunity for the Executive, together with his counsel, to be heard before the board, finding that in the good faith opinion of the board that "Cause" exists and specifying the particulars thereof in detail. This Section 4.3 shall not prevent the Executive from challenging in any court of competent jurisdiction the board of directors' determination that Cause exists or that the Executive has failed to cure any act (or failure to act) that purportedly formed the basis for the board of directors' determination.

4.4 Termination without Cause. The Company may terminate this Employment Agreement at any time, without cause, upon 30 days' written notice by the Company to the Executive and, except as provided in Section 5.1 hereof, the Executive shall have no right to receive any compensation or benefit hereunder after such termination.

4.5 Termination for Good Reason. The Executive may terminate his employment for Good Reason after giving the Company detailed written notice thereof, if the Company shall have failed to cure the event or circumstance constituting Good Reason within 30 business days after receiving such notice. "Good Reason" shall mean the occurrence of any of the following without the written consent of the Executive: (a) the assignment to the Executive of duties inconsistent with this Agreement or a change in his titles or authority; (b) any failure by the Company to comply with Section 3 hereof in any material way; (c) the requirement of the Executive to relocate to a location that is more than [50] miles from the Executive's work location on the effective date of this Agreement, (d) any material breach of this Agreement by the Company, or (e) a "Change of Control". The Executive's right to terminate his employment hereunder for Good Reason shall not be affected by his incapacity due to physical or mental illness. The Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason. For purposes of this Agreement, a "Change of Control" shall be deemed to have occurred if (i) a tender offer shall be made and consummated for the ownership of more than 50% of the outstanding voting securities of the Company, (ii) the Company shall be merged or consolidated with another corporation or entity and as a result of such merger or consolidation less than 50% of the outstanding voting securities of the surviving or resulting corporation or entity shall be owned in the aggregate by former shareholders of the Company, as the same shall have existing immediately prior to such merger or consolidation, (iii) the Company shall sell, lease, or otherwise dispose of, all or substantially all of its assets to another corporation or entity which is not a wholly-owned subsidiary, or (iv) a person, within the meaning of Section 3(a)(9) or Section 13(d)(3) (as in effect on the date hereof) of the Securities Exchange Act of 1934 shall acquire more than 50% of the outstanding voting securities of the Company (whether directly, indirectly, beneficially, or of record). Notwithstanding the foregoing, the transactions contemplated by the Merger Agreement shall not constitute a Change of Control.

4.6 Without Good Reason. The Executive shall have the right to terminate his employment hereunder without Good Reason by providing the Company with 30 days advance written notice of termination.

5. Severance Payments.

5.1 Certain Severance Payments. If during the Term this Agreement is terminated pursuant to any of Sections 4.1, 4.2, 4.4 or 4.5, all compensation payable to the Executive under Section 3 hereof shall cease as of the date of termination specified in the Company's notice (the "Termination Date"), and the Company shall pay to the Executive, subject to Section 6 hereof, the following sums: (i) the Base Salary on the Termination Date for twelve months (the "Severance Period"), payable in monthly installments; (ii) benefits under group health, dental and life insurance plans and such other plans referred to in Section 3.2 that the Executive may continue to participate in as a non-employee through the Severance Period; and (iii) all previously earned, accrued, and unpaid benefits from the Company and its employee benefit plans, including any such benefits under the Company's pension, disability, and life insurance plans, policies, and programs. If, prior to the date on which the Company's obligations under

clause (i) of this Section 5.1 cease, the Executive violates Section 6 hereof, then the Company shall have no obligation to make any of the payments that remain payable by the Company under clauses (i) and (ii) of this Section 5.1 on or after the date of such violation.

Notwithstanding the foregoing, if, based on Internal Revenue Service guidance available as of the date the payment or provision of any amount or other benefit is specified to be made under this Agreement or elsewhere, the Company reasonably determines that the payment or provision of such amount or other benefit at such specified time may potentially subject the Executive to "additional tax" under Section 409A(a)(1)(B) of the Code (together with any interest or penalties imposed with respect to, or in connection with, such tax, a "409A Tax") with respect to the payment of such amount or the provision of such benefit, and if payment or provision thereof at a later date would likely avoid any such 409A Tax, then the payment or provision thereof shall be postponed to the earliest business day on which the Company reasonably determines such amount or benefit can be paid or provided without incurring any such 409A Tax, but in no event later than the first business day after the six-month anniversary of the Executive's termination date (the "Delayed Payment Date"). In addition, if the Company reasonably determines that such 409A Tax with respect to the provision of a benefit can likely be avoided by replacing the benefit with the payment of an amount in cash equal to the cost of a substantially equivalent benefit then, in lieu providing such benefit, the Company may make such cash payment, subject to the preceding sentence. The Company and the Executive may agree to take other actions to avoid the imposition of 409A Tax at such time and in such manner as permitted under Section 409A. In the event that a delay of any payment is required under this provision, such payment shall be accumulated and paid in a single lump sum on the Delayed Payment Date together with interest for the period of delay, compounded monthly, equal to the prime or base lending rate then used by CitiBank, N.A., in New York City and in effect as of the date the payment would otherwise have been provided.

5.2 Payments upon Termination for Cause or Termination without Good Reason. If this Employment Agreement is terminated by the Company pursuant to Section 4.3 hereof or by the Executive pursuant to Section 4.6 hereof, the Executive shall receive only the amounts specified in clause (iii) of Section 5.1 hereof.

6. Certain Covenants of the Executive.

6.1 Covenants. The Executive acknowledges that: (i) he is one of the limited number of persons who will develop the business of the Company (the "Company's Current Lines of Business"); (ii) the Company conducts its business on a nationwide basis; (iii) his work for the Company has brought him and, from and after the Closing, his work for the Company and its Subsidiaries and Affiliates, will continue to bring him into close contact with many confidential affairs not readily available to the public; (iv) the Company would not consummate the transactions contemplated by the Merger Agreement but for the agreements and covenants of the Executive contained herein; and (v) the covenants contained in this Section 6 will not involve a

substantial hardship upon his future livelihood. In order to induce the Company to execute and deliver the Merger Agreement and to induce the Company to enter into this Employment Agreement, the Executive covenants and agrees that:

6.2 Non-Compete. During the Term and for a period of two years following the termination of the Executive's employment with the Company or any of its Subsidiaries or Affiliates (the "Restricted Period"), the Executive shall not, directly or indirectly, (i) in any manner whatsoever engage in any capacity with any business competitive with the Company's Current Lines of Business or any business then engaged in by the Company, any of its Subsidiaries or any of its Affiliates (the "Company's Business") for the Executive's own benefit or for the benefit of any person or entity other than the Company or any Subsidiary or Affiliate; or (ii) have any interest as owner, sole proprietor, shareholder, partner, lender, director, officer, manager, employee, consultant, agent or otherwise in any business competitive with the Company's Business; provided, however, that the Executive may hold, directly or indirectly, solely as an investment, not more than two percent (2%) of the outstanding securities of any person or entity which are listed on any national securities exchange or regularly traded in the over-the-counter market notwithstanding the fact that such person or entity is engaged in a business competitive with the Company's Business. In addition, during the Restricted Period, the Executive shall not develop any property for use in the Company's Business on behalf of any person or entity other than the Company, its Subsidiaries and Affiliates.

6.3 Confidential Information. During the Restricted Period, the Executive shall not, directly or indirectly, disclose to any person or entity who is not authorized by the Company or any Subsidiary or Affiliate to receive such information, or use or appropriate for his own benefit or for the benefit of any person or entity other than the Company or any Subsidiary or Affiliate, any documents or other papers relating to the Company's Business or the customers of the Company or any Subsidiary or Affiliate, including, without limitation, files, business relationships and accounts, pricing policies, customer lists, computer software and hardware, or any other materials relating to the Company's Business or the customers of the Company or any Subsidiary or Affiliate or any trade secrets or confidential information, including, without limitation, any business or operational methods, drawings, sketches, designs or product concepts, know-how, marketing plans or strategies, product development techniques or plans, business acquisition plans, financial or other performance data, personnel and other policies of the Company or any Subsidiary or Affiliate, whether generated by the Executive or by any other person, except as required in the course of performing his duties hereunder or with the express written consent of the Company; provided, however, that the confidential information shall not include any information readily ascertainable from public or published information, or trade sources (other than as a direct or indirect result of unauthorized disclosure by the Executive).

6.4 Employees of and Consultants to the Company. During the Restricted Period, the Executive shall not, directly or indirectly (other than in furtherance of the business of the Company), initiate communications with, solicit, persuade, entice, induce or encourage any individual who is then or who has been within the 12-month period preceding the Executive’s termination of employment with the Company, an employee of or consultant to the Company or

any of its Subsidiaries or Affiliates to terminate employment with, or a consulting relationship with, the Company or such Subsidiary or Affiliate, as the case may be, or to become employed by or enter into a contract or other agreement with any other person, and the Executive shall not approach any such employee or consultant for any such purpose or authorize or knowingly approve the taking of any such actions by any other person.

6.5 Solicitation of Customers. During the Restricted Period, the Executive shall not, directly or indirectly, initiate communications with, solicit, persuade, entice, induce, encourage (or assist in connection with any of the foregoing) any person who is then or has been within the 12-month period preceding the Executive's termination of employment with the Company a customer or account of the Company or its Subsidiaries or Affiliates, or any actual customer leads whose identity the Executive learned during the course of his employment with the Company, to terminate or to adversely alter its contractual or other relationship with the Company or its Subsidiaries or Affiliates.

6.6 Rights and Remedies Upon Breach. If the Executive breaches, or threatens to commit a breach of, any of the provisions of Section 6 hereof (collectively, the "Restrictive Covenants"), the Company and its Subsidiaries and Affiliates shall, in addition to the rights set forth in Section 5.1 hereof, have the right and remedy to seek from any court of competent jurisdiction specific performance of the Restrictive Covenants or injunctive relief against any act which would violate any of the Restrictive Covenants, it being acknowledged and agreed that any such breach or threatened breach will cause irreparable injury to the Company and its Subsidiaries and Affiliates and that money damages will not provide an adequate remedy to the Company and its Subsidiaries and Affiliates.

6.7 Severability of Covenants. If any of the Restrictive Covenants, or any part thereof, is held by a court of competent jurisdiction or any foreign, federal, state, county or local government or other governmental, regulatory or administrative agency or authority to be invalid, void, unenforceable or against public policy for any reason, the remainder of the Restrictive Covenants shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and such court, government, agency or authority shall be empowered to substitute, to the extent enforceable, provisions similar thereto or other provisions so as to provide to the Company and its Subsidiaries and Affiliates, to the fullest extent permitted by applicable law, the benefits intended by such provisions.

6.8 Enforceability in Jurisdictions. The parties intend to and hereby confer jurisdiction to enforce the Restrictive Covenants upon the courts of any jurisdiction within the geographical scope of such Covenants. If the courts of any one or more of such jurisdictions hold the Restrictive Covenants wholly invalid or unenforceable by reason of the breadth of such scope or otherwise, it is the intention of the parties that such determination not bar or in any way affect the Company's right to the relief provided above in the courts of any other jurisdiction within the geographical scope of such Restrictive Covenants, as to breaches of such Restrictive Covenants in such other respective jurisdictions, such Restrictive Covenants as they relate to each jurisdiction being, for this purpose, severable into diverse and independent covenants.

7. Indemnification.

7.1 General. The Company agrees that if the Executive is made a party or is threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), other than a Proceeding initiated by the Company to enforce its rights under this Agreeemnt, by reason of the fact that the Executive is or was a trustee, director or officer of the Company, or any predecessor to the Company or any of their Affiliates or is or was serving at the request of the Company, any predecessor to the Company, or any of their affiliates as a trustee, director, officer, member, employee or agent of another corporation or a partnership, joint venture, limited liability company, trust or other enterprise, including, without limitation, service with respect to employee benefit plans, whether or not the basis of such Proceeding is alleged action in an official capacity as a trustee, director, officer, member, employee or agent while serving as a trustee, director, officer, member, employee or agent, the Executive shall be indemnified and held harmless by the Company to the fullest extent authorized by Nevada law, as the same exists or may hereafter be amended, against all Expenses incurred or suffered by the Executive in connection therewith, and such indemnification shall continue as to the Executive even if the Executive has ceased to be an officer, director, trustee or agent, or is no longer employed by the Company and shall inure to the benefit of his heirs, executors and administrators. Notwithstanding the foregoing, the Executive shall not be entitled to indemnification by the Company in respect of, and to the extent that, any Expenses arising as a result of the bad faith, willful misconduct or gross negligence of the Executive, or the Executive's conviction of a felony.

7.2 Expenses. As used in this Agreement, the term "Expenses" shall include, without limitation, damages, losses, judgments, liabilities, fines, penalties, excise taxes, settlements, and costs, attorneys' fees, accountants' fees, and disbursements and costs of attachment or similar bonds, investigations, and any expenses of establishing a right to indemnification under this Agreement.

7.3 Enforcement. If a claim or request under this Section 7 is not paid by the Company or on its behalf, within thirty (30) days after a written claim or request has been received by the Company, the Executive may at any time thereafter bring suit against the Company to recover the unpaid amount of the claim or request and if successful in whole or in part, the Executive shall be entitled to be paid also the expenses of prosecuting such suit. All obligations for indemnification hereunder shall be subject to, and paid in accordance with, applicable Nevada law.

7.4 Partial Indemnification. If the Executive is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of any Expenses, but not, however, for the total amount thereof, the Company shall nevertheless indemnify the Executive for the portion of such Expenses to which the Executive is entitled.

7.5 Advances of Expenses. Expenses incurred by the Executive in connection with any Proceeding shall be paid by the Company in advance upon request of the Executive that the

Company pay such Expenses, but only in the event that the Executive shall have delivered in writing to the Company (i) an undertaking to reimburse the Company for Expenses with respect to which the Executive is not entitled to indemnification and (ii) a statement of his good faith belief that the standard of conduct necessary for indemnification by the Company has been met.

7.6 Notice of Claim. The Executive shall give to the Company notice of any claim made against him for which indemnification will or could be sought under this Agreement. In addition, the Executive shall give the Company such information and cooperation as it may reasonably require and as shall be within the Executive's power and at such times and places as are convenient for the Executive.

7.7 Defense of Claim. With respect to any Proceeding as to which the Executive notifies the Company of the commencement thereof:

(a) The Company will be entitled to participate therein at its own expense;

(b) Except as otherwise provided below, to the extent that it may wish, the Company will be entitled to assume the defense thereof, with counsel reasonably satisfactory to the Executive, which in the Company's sole discretion may be regular counsel to the Company and may be counsel to other officers and directors of the Company or any subsidiary. The Executive also shall have the right to employ his own counsel in such action, suit or proceeding if he reasonably concludes that failure to do so would involve a conflict of interest between the Company and the Executive, and under such circumstances the fees and expenses of such counsel shall be at the expense of the Company.

(c) The Company shall not be liable to indemnify the Executive under this Agreement for any amounts paid in settlement of any action or claim effected without its written consent. The Company shall not settle any action or claim in any manner which would impose any penalty that would not be paid directly or indirectly by the Company or limitation on the Executive without the Executive's written consent. Neither the Company nor the Executive will unreasonably withhold or delay their consent to any proposed settlement.

(d) Non-exclusivity. The right to indemnification and the payment of expenses incurred in defending a Proceeding in advance of its final disposition conferred in this Section 7 shall not be exclusive of any other right which the Executive may have or hereafter may acquire under any statute or certificate of incorporation or by-laws of the Company or any subsidiary, agreement, vote of shareholders or disinterested directors or trustees or otherwise.

8. Other Provisions.

8.1 Notices. Any notice or other communication required or which may be given hereunder shall be in writing and shall be delivered personally, telecopied, telegraphed or telexed, or sent by certified, registered or express mail, postage prepaid, to the parties at the addresses specified on the signature page hereto, or at such other addresses as shall be specified

by the parties by like notice, and shall be deemed given when so delivered personally, telecopied, telegraphed or telexed, or if mailed, two days after the date of mailing, to the addresses specified on the signature page hereto, or, in the case of the Company, to such other address as the Company may specify as the address for its executive offices in any reports filed by the Company with the Securities and Exchange Commission.

8.2 Entire Agreement. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior contracts and other agreements, written or oral, with respect thereto.

8.3 Waivers and Amendments. This Agreement may be amended, modified, superseded, cancelled, renewed or extended, and the terms and conditions hereof may be waived, only by a written instrument signed by the parties or, in the case of a waiver, by the party waiving compliance. No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party of any right, power or privilege hereunder, nor any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder.

8.4 Governing Law. This Agreement shall be governed by, and construed in accordance with and subject to, the laws of the State of Nevada applicable to agreements made and to be performed entirely within such state.

8.5 Binding Effect; Benefit. This Agreement shall inure to the benefit of and be binding upon the parties hereto and any successors and assigns permitted or required by Section 8.6 hereof. Nothing in this Agreement, expressed or implied, is intended to confer on any person other than the parties hereto or such successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

8.6 Assignment. This Agreement, and the Executive's rights and obligations hereunder, may not be assigned by the Executive. The Company may assign this Agreement and its rights, together with its obligations, hereunder in connection with any sale, transfer or other disposition of all or substantially all of its assets or business, whether by merger, consolidation or otherwise.

8.7 Definitions. For purposes of this Agreement:

(a) *"Affiliate"* shall mean a person that, directly or indirectly, controls or is controlled by, or is under common control with the Company;

(b) *"control"* (including, with correlative meaning, the terms "controlled by" and "under common control with") as used with respect to any person or entity, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management

and policies of such person or entity, whether through ownership of voting securities or by contract or other agreement or otherwise; and

(c) *"Subsidiary"* shall mean any person or entity as to which the Company, directly or indirectly, owns or has the power to vote, or to exercise a controlling influence with respect to, fifty percent (50%) or more of the securities of any class of such person, the holders of which class are entitled to vote for the election of directors (or persons performing similar functions) of such person.

8.8 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

8.9 Headings. The headings in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this Employment Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

NOVASTAR RESOURCES LTD..

By: /s/ Charles Merchant
Name: Charles Merchant
Title: CEO

Address: 8300 Greensboro Dr.
Ste 800
McLean, VA 22102

EXECUTIVE:

/s/ Seth Grae
Name: SETH GRAE

Address: 364 West 18th St.
Ste. 5G
NY NY 10011

NOVASTAR RESOURCES LTD.

2006 STOCK PLAN

NOTICE OF GRANT

Capitalized but otherwise undefined terms in this Notice of Grant and the attached Stock Option Agreement shall have the same defined meanings as in the 2006 Stock Plan.

Name: SETH GRAE Address: _____

You have been granted an option (the "Option") to purchase Common Stock of the Corporation, subject to the terms and conditions of the Plan and the attached Stock Option Agreement, as follows:

Date of Grant:	February 14 , 2006	
Vesting Commencement Date:	August 14, 2006	
Option Price per Share:	$ 0.795	
Total Number of Shares Granted:	7,200,000	
Total Option Price:	$ 5,724,000	
Type of Option:		Incentive Stock Option
	X	Nonqualified Stock Option
Term/Expiration Date:	Ten (10) years after Date of Grant	

Vesting Schedule:

The Option shall vest, in whole or in part, in accordance with the following schedule:

The Option shall vest with respect to 6/48 of the Total Number of Shares Granted (as specified above) on the Vesting Commencement Date and shall thereafter vest 1/48 on the first day of each month until all shares underlying the Option have vested. The Option shall immediately and automatically vest in full upon a Change of Control, the termination of the Optionee's employment by the Company without Cause, or the termination of the Optionee's employment by the Optionee for Good Reason. "Change of Control," "Cause," and "Good Reason" are each defined in that certain employment agreement between the Optionee and the Company, dated on or about the date hereof.

NOVASTAR RESOURCES LTD.

2006 STOCK PLAN

STOCK OPTION AGREEMENT

This **STOCK OPTION AGREEMENT** ("Agreement"), dated as of the 14th day of February, 2006 is made by and between NOVASTAR RESOURCES LTD., a Nevada corporation (the "Corporation"), and SETH GRAE (the "Optionee," which term as used herein shall be deemed to include any successor to the Optionee by will or by the laws of descent and distribution, unless the context shall otherwise require).

BACKGROUND

Pursuant to the Corporation's 2006 Stock Plan (the "Plan"), the Corporation, acting through the Committee of the Board of Directors (if a committee has been formed to administer the Plan) or its entire Board of Directors (if no such committee has been formed) responsible for administering the Plan (in either case, referred to herein as the "Committee"), approved the issuance to the Optionee, effective as of the date set forth above, of a stock option to purchase shares of Common Stock of the Corporation at the price (the "Option Price") set forth in the attached Notice of Grant (which is expressly incorporated herein and made a part hereof, the "Notice of Grant"), upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual premises and undertakings hereinafter set forth, the parties hereto agree as follows:

1. **Option; Option Price**. On behalf of the Corporation, the Committee hereby grants to the Optionee the option (the "Option") to purchase, subject to the terms and conditions of this Agreement and the Plan (which is incorporated by reference herein and which in all cases shall control in the event of any conflict with the terms, definitions and provisions of this Agreement), that number of shares of Common Stock of the Corporation set forth in the Notice of Grant, at an exercise price per share equal to the Option Price as is set forth in the Notice of Grant (the "Optioned Shares"). If designated in the Notice of Grant as an "incentive stock option," the Option is intended to qualify for Federal income tax purposes as an "incentive stock option" within the meaning of Section 422 of the Code. A copy of the Plan as in effect on the date hereof has been supplied to the Optionee, and the Optionee hereby acknowledges receipt thereof.

2. **Term.** The term (the "Option Term") of the Option shall commence on the date of this Agreement and shall expire on the Expiration Date set forth in the Notice of Grant unless such Option shall theretofore have been terminated in accordance with the terms of the Notice of Grant, this Agreement or of the Plan.

3. **Time of Exercise**.

(a) Unless accelerated in the discretion of the Committee or as otherwise provided herein, the Option shall become exercisable during its term in accordance with the Vesting Schedule set out in the Notice of Grant. Subject to the provisions of Sections 5 and 8 hereof,

shares as to which the Option becomes exercisable pursuant to the foregoing provisions may be purchased at any time thereafter prior to the expiration or termination of the Option.

(b) Anything contained in this Agreement to the contrary notwithstanding, to the extent the Option is intended to be an Incentive Stock Option, the Option shall not be exercisable as an Incentive Stock Option, and shall be treated as a Non-Statutory Option, to the extent that the aggregate Fair Market Value on the date hereof of all stock with respect to which Incentive Stock Options are exercisable for the first time by the Optionee during any calendar year (under the Plan and all other plans of the Corporation, its parent and its subsidiaries, if any) exceeds $100,000.

4. **Termination of Option**.

(a) The Optionee may exercise the Option (but only to the extent the Option was exercisable at the time of termination of the Optionee's Business Relationship with the Corporation, its parent or any of its subsidiaries) at any time within three (3) months following the termination of the Optionee's Business Relationship with the Corporation, its parent or any of its subsidiaries, but not later than the scheduled expiration date. If the termination of the Optionee's employment is for cause or is otherwise attributable to a breach by the Optionee of an employment, non-competition, non-disclosure or other material agreement, the Option shall expire immediately upon such termination. If the Optionee is a natural person who dies while in a Business Relationship with the Corporation, its parent or any of its subsidiaries, this option may be exercised, to the extent of the number of shares with respect to which the Optionee could have exercised it on the date of his death, by his estate, personal representative or beneficiary to whom this option has been assigned pursuant to Section 9 of the Plan, at any time within the twelve (12) month period following the date of death. If the Optionee is a natural person whose Business Relationship with the Corporation, its parent or any of its subsidiaries is terminated by reason of his disability, this Option may be exercised, to the extent of the number of shares with respect to which the Optionee could have exercised it on the date the Business Relationship was terminated, at any time within the twelve (12) month period following the date of such termination, but not later than the scheduled expiration date. At the expiration of such three (3) or twelve (12) month period or the scheduled expiration date, whichever is the earlier, this Option shall terminate and the only rights hereunder shall be those as to which the Option was properly exercised before such termination.

(b) Anything contained herein to the contrary notwithstanding, the Option shall not be affected by any change of duties or position of the Optionee (including a transfer to or from the Corporation, its parent or any of its subsidiaries) so long as the Optionee continues in a Business Relationship with the Corporation, its parent or any of its subsidiaries.

5. **Procedure for Exercise**.

(a) The Option may be exercised, from time to time, in whole or in part (but for the purchase of whole shares only), by delivery of a written notice in the form attached as Exhibit A hereto (the "Notice") from the Optionee to the Secretary of the Corporation, which Notice shall:

(i) state that the Optionee elects to exercise the Option;

(ii) state the number of shares with respect to which the Option is being exercised (the "Optioned Shares");

(iii) state the method of payment for the Optioned Shares pursuant to Section 5(b);

(iv) state the date upon which the Optionee desires to consummate the purchase of the Optioned Shares (which date must be prior to the termination of such Option and no later than 30 days from the delivery of such Notice);

(v) include any representations of the Optionee required under Section 8(b);

(vi) if the Option shall be exercised in accordance with Section 9 of the Plan by any person other than the Optionee, include evidence to the satisfaction of the Committee of the right of such person to exercise the Option; and

(b) Payment of the Option Price for the Optioned Shares shall be made either (i) by delivery of cash or a check to the order of the Corporation in an amount equal to the Option Price, (ii) if approved by the Committee, by delivery to the Corporation of shares of Common Stock of the Corporation having a Fair Market Value on the date of exercise equal in amount to the Option Price of the options being exercised, (iii) by any other means which the Board of Directors determines are consistent with the purpose of the Plan and with applicable laws and regulations (including, without limitation, the provisions of Rule 16b-3 and Regulation T promulgated by the Federal Reserve Board), or (iv) by any combination of such methods of payment. Notwithstanding any provisions herein to the contrary, if the Fair Market Value of one share of Common Stock of the Corporation is greater than the Option Price (at the date of calculation as set forth below), in lieu of paying the Option Price in cash, the Optionee may elect to receive shares equal to the value (as determined below) of the Optioned Shares by delivering notice of such election to the Corporation in which event the Corporation shall issue to the Optionee a number of shares of Common Stock computed using the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where X = the number of shares of Common Stock to be issued to the Optionee

Y = the number of Optioned Shares

A = the Fair Market Value of one share of Common Stock (at the date of such calculation)

B = Option Price (as adjusted to the date of such calculation)

(c) The Corporation shall issue a stock certificate in the name of the Optionee (or such other person exercising the Option in accordance with the provisions of Section 9 of the Plan) for the Optioned Shares as soon as practicable after receipt of the Notice and payment of the aggregate Option Price for such shares.

6. **No Rights as a Stockholder.** The Optionee shall not have any privileges of a stockholder of the Corporation with respect to any Optioned Shares until the date of issuance of a stock certificate pursuant to Section 5(c).

7. **Adjustments.** The Plan contains provisions covering the treatment of options in a number of contingencies such as stock splits and mergers. Provisions in the Plan for adjustment with respect to stock subject to options and the related provisions with respect to successors to the business of the Corporation are hereby made applicable hereunder and are incorporated herein by reference. In general, the Optionee should not assume that options would survive the acquisition of the Corporation.

8. **Additional Provisions Related to Exercise**.

(a) The Option shall be exercisable only on such date or dates and during such period and for such number of shares of Common Stock as are set forth in this Agreement.

(b) To exercise the Option, the Optionee shall follow the procedures set forth in Section 5 hereof. Upon the exercise of the Option at a time when there is not in effect a registration statement under the Securities Act of 1933, as amended (the "Securities Act"), relating to the shares of Common Stock issuable upon exercise of the Option, the Committee in its discretion may, as a condition to the exercise of the Option, require the Optionee (i) to execute an Investment Representation Statement substantially in the form set forth in Exhibit B hereto and (ii) to make such other representations and warranties as are deemed appropriate by counsel to the Corporation.

(c) Stock certificates representing shares of Common Stock acquired upon the exercise of Options that have not been registered under the Securities Act shall, if required by the Committee, bear an appropriate restrictive legend referring to the Securities Act. No shares of Common Stock shall be issued and delivered upon the exercise of the Option unless and until the Corporation and/or the Optionee shall have complied with all applicable Federal or state registration, listing and/or qualification requirements and all other requirements of law or of any regulatory agencies having jurisdiction.

9. **No Evidence of Employment or Service.** Nothing contained in the Plan or this Agreement shall confer upon the Optionee any right to continue in employment with the Corporation, its parent or any of its subsidiaries or interfere in any way with the right of the Corporation, its parent or its subsidiaries (subject to the terms of any separate agreement to the contrary) to terminate the Optionee's employment or to increase or decrease the Optionee's compensation at any time.

10. **Restriction on Transfer.** The Option may not be transferred, pledged, assigned, hypothecated or otherwise disposed of in any way by the Optionee, except by will or by the laws of descent and distribution, and may be exercised during the lifetime of the Optionee only by the Optionee. If the Optionee dies, the Option shall thereafter be exercisable, during the period specified in Section 4, by his executors or administrators to the full extent to which the Option was exercisable by the Optionee at the time of his death. The Option shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the Option contrary to the provisions hereof, and the levy

of any execution, attachment or similar process upon the Option, shall be null and void and without effect. The words "transfer" and "dispose" include without limitation the making of any sale, exchange, assignment, gift, security interest, pledge or other encumbrance, or any contract therefor, any voting trust or other agreement or arrangement with respect to the transfer of any interest, beneficial or otherwise, in the Option, the creation of any other claim thereto or any other transfer or disposition whatsoever, whether voluntary or involuntary, affecting the right, title, interest or possession with respect to the Option.

11. **Specific Performance**. Optionee expressly agrees that the Corporation will be irreparably damaged if the provisions of this Agreement and the Plan are not specifically enforced. Upon a breach or threatened breach of the terms, covenants and/or conditions of this Agreement or the Plan by the Optionee, the Corporation shall, in addition to all other remedies, be entitled to a temporary or permanent injunction, without showing any actual damage, and/or decree for specific performance, in accordance with the provisions hereof and thereof. The Board of Directors shall have the power to determine what constitutes a breach or threatened breach of this Agreement or the Plan. Any such determinations shall be final and conclusive and binding upon the Optionee.

12. **Disqualifying Dispositions**. To the extent the Option is intended to be an Incentive Stock Option, and if the Optioned Shares are disposed of within two years following the date of this Agreement or one year following the issuance thereof to the Optionee (a "Disqualifying Disposition"), the Optionee shall, immediately prior to such Disqualifying Disposition, notify the Corporation in writing of the date and terms of such Disqualifying Disposition and provide such other information regarding the Disqualifying Disposition as the Corporation may reasonably require.

13. **Notices.** All notices or other communications which are required or permitted hereunder shall be in writing and sufficient if (i) personally delivered or sent by telecopy, (ii) sent by nationally-recognized overnight courier or (iii) sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

if to the Optionee, to the address (or telecopy number) set forth on the Notice of Grant; and

if to the Corporation, to its principal executive office as specified in any report filed by the Corporation with the Securities and Exchange Commission or to such address as the Corporation may have specified to the Optionee in writing, Attention: Corporate Secretary.

or to such other address as the party to whom notice is to be given may have furnished to the other party in writing in accordance herewith. Any such communication shall be deemed to have been given (i) when delivered, if personally delivered, or when telecopied, if telecopied, (ii) on the first Business Day (as hereinafter defined) after dispatch, if sent by nationally-recognized overnight courier and (iii) on the third Business Day following the date on which the piece of mail containing such communication is posted, if sent by mail. As used herein, "Business Day" means a day that is not a Saturday, Sunday or a day on which banking institutions in the city to which the notice or communication is to be sent are not required to be open.

14. **No Waiver.** No waiver of any breach or condition of this Agreement shall be deemed to be a waiver of any other or subsequent breach or condition, whether of like or different nature.

15. **Optionee Undertaking.** The Optionee hereby agrees to take whatever additional actions and execute whatever additional documents the Corporation may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Optionee pursuant to the express provisions of this Agreement.

16. **Modification of Rights.** The rights of the Optionee are subject to modification and termination in certain events as provided in this Agreement and the Plan.

17. **Governing Law.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of Nevada applicable to contracts made and to be wholly performed therein, without giving effect to its conflicts of laws principles.

18. **Counterparts; Facsimile Execution.** This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. Facsimile execution and delivery of this Agreement is legal, valid and binding execution and delivery for all purposes.

19. **Entire Agreement.** This Agreement (including the Notice of Grant) and the Plan, and, upon execution, the Notice and Investment Representation Statement, constitute the entire agreement between the parties with respect to the subject matter hereof, and supersede all previously written or oral negotiations, commitments, representations and agreements with respect thereto.

20. **Severability.** In the event one or more of the provisions of this Agreement should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

21. **WAIVER OF JURY TRIAL.** THE OPTIONEE HEREBY EXPRESSLY, IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT AND FOR ANY COUNTERCLAIM THEREIN.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Option Agreement as of the date first written above.

NOVASTAR RESOURCES LTD.

By: /s/ Charles Merchant
Name: Charles Merchant
Title: CEO

Optionee:

/s/ Seth Grae
Name: SETH GRAE

NOTE RE: EXHIBITS

EXHIBITS A AND B ARE TO BE SIGNED

WHEN OPTIONS ARE EXERCISED,

NOT WHEN OPTION AGREEMENT IS SIGNED.

EXHIBIT A

NOVASTAR RESOURCES LTD.

2006 STOCK PLAN

EXERCISE NOTICE

Novastar Resources Ltd.
Attention: Chief Executive Officer

1. Exercise of Option. Effective as of today, _____, 20__ , the undersigned (the "Optionee") hereby elects to exercise the Optionee's option to purchase _____ shares of the Common Stock (the "Shares") of Novastar Resources Ltd. (the "Corporation") under and pursuant to the 2006 Stock Plan (the "Plan") and the Stock Option Agreement dated _____ (the "Stock Option Agreement"), with the purchase of the Shares to be consummated on _____ ___, ____ (the "Effective Date"), which date is prior to the termination of the Option and no later than 30 days from the date of delivery of this Notice.

2. Representations of the Optionee. The Optionee acknowledges that the Optionee has received, read and understood the Plan and the Stock Option Agreement and agrees to abide by and be bound by their terms and conditions.

3. Rights as Shareholder; Shares Subject to Stockholders Agreement. Until the stock certificate evidencing such Shares is issued (as evidenced by the appropriate entry on the books of the Corporation or of a duly authorized transfer agent of the Corporation), no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Shares, notwithstanding the exercise of the Option. The Corporation shall issue (or cause to be issued) such stock certificate promptly after the Effective Date, provided the applicable price has been paid and the required documents have been received. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as otherwise provided in the Plan. Unless waived by the Corporation in writing, the Shares shall automatically become subject to the terms and conditions of any stockholders agreement or similar agreement to which a majority of the outstanding capital stock of the Corporation is subject at the time of exercise and the Optionee shall sign as a condition to the issuance of the Shares such joinder agreement, signature pages or other documents in order to evidence the Optionee's agreement to be so bound.

4. Tax Consultation. The Optionee understands that the Optionee may suffer adverse tax consequences as a result of the Optionee's purchase or disposition of the Shares. The Optionee represents that the Optionee has consulted with any tax consultants the Optionee deems advisable in connection with the purchase or disposition of the Shares and that the Optionee is not relying on the Corporation for any tax advice.

5. Successors and Assigns. The Corporation may assign any of its rights under the Stock Option Agreement to single or multiple assignees (who may be stockholders, officers, directors, employees or consultants of the Corporation), and this Agreement shall inure to the benefit of the successors and assigns of the Corporation. Subject to the restrictions on transfer set

forth in the Stock Option Agreement, this Agreement shall be binding upon the Optionee and his or her heirs, executors, administrators, successors and assigns.

6. Interpretation. Any dispute regarding the interpretations of this Agreement shall be submitted by the Optionee or by the Corporation forthwith to the Committee, which shall review such dispute at its next regular meeting. The resolution of such a dispute by the Committee shall be final and binding on the Corporation and on the Optionee.

7. Governing Laws: Severability. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts made and to be wholly performed therein, without giving effect to its conflicts of laws principles. Should any provision of this Agreement be determined by a court of law to be illegal or unenforceable, the other provisions shall nevertheless remain effective and shall remain enforceable.

8. Notices. Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given if given in the manner specified in the Stock Option Agreement.

9. Further Instruments. The parties agree to execute such further instruments and to take such further action as may be reasonably necessary to carry out the purposes and intent of this Agreement.

10. Delivery of Payment. The Optionee herewith delivers to the Corporation the full Option Price for the Shares.

11. Entire Agreement. The Plan, the Notice of Grant, and the Stock Option Agreement are incorporated herein by reference. This Agreement, the Plan, the Notice of Grant, the Stock Option Agreement, and the Investment Representation Statement constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Corporation and the Optionee with respect to the subject matter hereof.

Submitted by:	Accepted by:
OPTIONEE:	NOVASTAR RESOURCES LTD.
	By:_____
_____	Its:_____
Name: SETH GRAE	

EXHIBIT B

2006 STOCK PLAN

INVESTMENT REPRESENTATION STATEMENT

OPTIONEE : _____

CORPORATION : NOVASTAR RESOURCES LTD.

SECURITY : Common Stock

AMOUNT : _____

DATE : _____

In connection with the purchase of the above-listed Securities, the undersigned Optionee represents to the Corporation the following:

(a) The Optionee is aware of the Corporation's business affairs and financial condition and has acquired sufficient information about the Corporation to reach an informed and knowledgeable decision to acquire the Securities. The Optionee is acquiring these Securities for investment for the Optionee's own account only and not with a view to, or for resale in connection with, a "distribution" thereof within the meaning of the Securities Act of 1933, as amended (the "Securities Act").

(b) The Optionee acknowledges and understands that the Securities constitute "restricted securities" under the Securities Act and have not been registered under the Securities Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of the Optionee's investment intent as expressed herein. In this connection, the Optionee understands that, in the view of the Securities and Exchange Commission, the statutory basis for such exemption may be unavailable if the Optionee's representation was predicated solely upon a present intention to hold these Securities for the minimum capital gains period specified under tax statutes, for a deferred sale, for or until an increase or decrease in the market price of the Securities, or for a period of one year or any other fixed period in the future. The Optionee further understands that the Securities must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. The Optionee further acknowledges and understands that the Corporation is under no obligation to register the Securities. The Optionee understands that the certificate evidencing the Securities will be imprinted with a legend which prohibits the transfer of the Securities unless they are registered or such registration is not required in the opinion of counsel satisfactory to the Corporation and other legends required under the applicable state or federal securities laws.

Signature of Optionee: _____
SETH GRAE

Date:_____

Thorium Power

www.thoriumpower.com

Subscription Agreement

8300 Greensboro Drive, Suite 800, McLean, VA 22102 USA
Tel: +1-703-918-4918 Fax: +1-202-318-2502

THE SECURITIES SUBSCRIBED FOR BY THIS AGREEMENT ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, AND ALL OTHER APPLICABLE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

THE SECURITIES SUBSCRIBED FOR BY THIS AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITES LAWS OF ANY OTHER JURISDICTION AND ARE BEING OFFERED AND SOLD IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF SAID ACT AND SUCH LAWS. THE SECURITIES SUBSCRIBED FOR BY THIS AGREEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION, OR ANY OTHER SECURITES COMMISSION OR OTHER REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE SECURITIES OFFERED BY THE COMPANY. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

SUBSCRIPTION AGREEMENT

Thorium Power, Inc.
8300 Greensboro Drive
Suite 800
McLean, VA 22102

To Whom It May Concern:

The undersigned (the "Subscriber") desires to become a stockholder of Thorium Power, Inc., a Delaware corporation (the "Company). The Subscriber and the Company hereby agree as follows:

1. Subscription. The Subscriber hereby subscribes for and agrees to accept from the Company _____ shares of the Company's Common Stock, par value $0.05 per share (the "Shares"), for a subscription price of $4 per share.

2. Purchase Procedure. The Subscriber acknowledges that, in order to receive the Shares, it must, and it does herewith, deliver to the Company two (2) executed and witnessed counterparts of the signature page attached to this Subscription Agreement (the "Agreement").

3. Representations of Subscriber. By executing this Agreement, the Subscriber makes the following representations, declarations, and warranties to the Company, with the intent and understanding that the Company will rely thereon:

(a) Such Subscriber acknowledges that it has received full and fair disclosure and carefully read in their entirety: (i) the Certificate of Incorporation of the Company, as amended, as filed with the Secretary of State of the State of Delaware; (ii) all of the information that the Subscriber deemed necessary to verify the accuracy and completeness of the Company's representations, warranties and covenants made herein; (iii) a copy of the Company's Investor Presentation, dated January 16, 2006 (including the "Risks of Investing" contained therein); (iv) a copy of the Company's most recent financial statements; and (v) written (or verbal) answers to all questions the Subscriber submitted to the Company regarding an investment in the Company. The Subscriber has relied on the information contained in the foregoing documents and the information provided in response to its questions and has not been furnished with any other documents, offering literature, memorandum or prospectus.

(b) Such Subscriber acknowledges that it has been informed that the Company's business plan is to provide for the disposition of plutonium in existing nuclear reactors and to replace existing fuels used in nuclear power plants; the Subscriber therefore understands that an investment in the Shares is speculative and involves a high degree of risk and the Subscriber recognizes and understands the risks relating to the purchase of the Shares. Such Subscriber has no need for liquidity in this investment, has the ability to bear the economic risk of this investment, and at the present time and in the foreseeable future can afford a complete loss of this investment. Such Subscriber has no reason to anticipate

any change in his or her circumstances, financial or otherwise, which may cause hardship to such Subscriber in light of the lack of liquidity of the Shares herein subscribed for.

(c) Such Subscriber understands that there are risks associated with investing in the Company's Common Stock and has reviewed and understands the "Risks of Investing" set forth in the Investor Presentation, dated January 16, 2006.

(d) Such Subscriber understands that the Company was organized on January 8, 1992 and has not yet commenced commercial activities, has no revenues, earnings, working capital, borrowing capacity or operating history and is dependent upon the net proceeds of the offering of its Common Stock, including the Shares, in order to continue its existence and carry out its proposed business plan. There is no assurance that the Company will be successful in continuing to sell its shares of Common Stock. or that the proceeds from the sale of its Common Stock will be sufficient for it to carry out its business plan.

(e) Such Subscriber understands that the proceeds of the offering of the Company's Common Stock will be used, among other things, to fund the Company's technical work at the Kurchatov Institute, for working capital, and to pay the salaries of the officers of the Company and various consultants to the Company.

(f) Such Subscriber understands that the technology that the Company is developing is experimental, has never been developed before and there is no assurance that such technology will ever work or if it does, that it will be commercially feasible for the Company to operate a business using such technology.

(f) Such Subscriber understands that: (i) the Shares being purchased have not been the subject of registration under the Securities Act of 1933, as amended (the "Act"), or any other securities laws; (ii) the Subscriber cannot sell the Shares unless such sale is registered under the Act and any applicable securities laws or unless exemptions from such registration requirements are available; (iii) a legend will be placed on any certificate or certificates evidencing the Shares stating that the Shares have not been registered under the Act and setting forth or referring to the restrictions on transferability and sales of the Shares; (iv) the Shares will be subject to contractual transfer restrictions pursuant to the terms of this Agreement and all other applicable agreements between the Company and the Subscriber; and (v) the Company has no obligation to register the sale of the Shares or assist the Subscriber in obtaining an exemption from applicable registration requirements except as set forth herein. The Subscriber agrees not to resell the Shares without compliance with the terms of this Agreement, all other applicable agreements between the Company and the Subscriber, the Act and all applicable securities laws.

(g) Such Subscriber: (i) is acquiring the Shares solely for the Subscriber's own account for investment purposes only and not with a view toward resale or distribution, either in whole or in part; (ii) other than that certain Agreement and Plan of Merger dated February 14, 2006 by and among the Subscriber, TA Acquisition Corp. and the Company (the "Merger Agreement"), has no contract, undertaking, agreement or other

arrangement, in existence or contemplated, to sell, pledge, assign or otherwise transfer the Shares to any other person; and (iii) agrees not to sell or otherwise transfer such Shares unless and until such transaction is subsequently registered under the Act and any applicable securities laws or unless an exemption from any applicable registration requirement is available.

(h) Such Subscriber understands that: (i) the offering contemplated hereby has not been reviewed by any governmental body or agency; (ii) if required by the laws or regulations of any applicable jurisdiction, the offering contemplated hereby will be submitted to the appropriate authorities of such state(s) for registration or exemption therefrom; and (iii) the documents used in connection with this offering have not been reviewed or approved by any regulatory agency or government department, nor has any such agency or government department made any finding or determination as to the fairness of the Shares for investment.

(i) Such Subscriber is aware that because the Shares have not been the subject of registration under the Act, no prospectus for the distribution of the Shares been qualified under any securities law and no market exists for the Shares.

(j) All of the information that the Subscriber has provided to the Company concerning the Subscriber, the Subscriber's financial position and the Subscriber's knowledge of financial and business matters is correct and complete as of the date hereof. The Subscriber further agrees, if requested by the Company or its authorized representative, to provide bank references or other confirming information concerning the Subscriber's financial information as may be reasonably requested by the Company.

(k) Other than as described in the Merger Agreement, such Subscriber shall not sell, assign, encumber or transfer all or any part of the Shares being acquired unless the Company has determined, upon the advice of counsel for the Company, that no applicable securities laws will be violated as a result of such transfer. The Company may require an opinion of counsel acceptable to the Company to the effect that such transfer or assignment may be effected without registration under the Act, and does not violate any applicable securities laws. The restrictions in this subparagraph (i), as well as those set forth elsewhere in this Agreement, apply to all resales, including resales in reliance on Regulation S under the Act.

(l) Such Subscriber represents that it is in a position regarding the Company, which, based upon employment, investments, business relationship or economic bargaining power, enabled and enables the Subscriber to obtain information from the Company in order to evaluate the merits and risks of this investment.

(m) Such Subscriber is familiar with the nature and extent of the risks inherent in investments in unregistered securities and in the business in which the Company is engaged and intends to engage and has sufficient knowledge and experience in business and financial matters to evaluate the nature of and risks attending, investments of the type herein subscribed, and has determined that an investment in the Company is consistent with the Subscriber's investment objectives and income prospects.

(n) Such Subscriber acknowledges that the Company has the unconditional right to accept or reject this subscription, in whole or in part. The Company will notify the Subscriber whether this subscription is accepted or rejected. If such subscription is rejected, payment will be returned to the Subscriber.

4. Representations of the Company. The Company hereby represents and warrants that upon the Company's receipt and acceptance of payment by the Subscriber hereunder and issuance of certificates therefor, the Shares will be legally and validly issued, non-assessable and free and clear of all liens and encumbrances.

5. Indemnification. The Subscriber hereby agrees to indemnify and hold harmless the Company and its respective officers, directors, employees, agents and affiliates from and against any and all damages, losses, costs, liabilities and expenses (including, without limitation, reasonable attorneys' fees) which they, or any of them, may incur by reason of the Subscriber's failure to fulfill any of the terms and conditions of this Agreement or by reason of the Subscriber's breach of any of its representations and warranties contained herein. This Agreement and the representations and warranties contained herein shall be binding upon the Subscriber's heirs, executors, administrators, representatives, successors and assigns. THE COMPANY HAS BEEN ADVISED THAT THE INDEMNIFICATION OF THE COMPANY, ITS OFFICERS, DIRECTORS, EMPLOYEES, AGENTS AND AFFILIATES IS DEEMED TO BE VOID AS AGAINST PUBLIC POLICY AND UNENFORCEABLE IN SOME JURISDICTIONS.

6. Assignability. The Subscriber acknowledges that it may not assign any of its rights to or interest in or under this Agreement without the prior written consent of the Company, and any attempted assignment without such consent shall be void and without effect.

7. Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally, telegraphed, telexed, sent by facsimile transmission or sent by certified, registered or express mail, postage prepaid, to the address of each party set forth herein. Any such notice shall be deemed given when delivered personally, telegraphed, telexed or sent by facsimile transmission or, if mailed, three days after the date of deposit in the United States mails.

8. Miscellaneous.

(a) This Agreement shall be construed in accordance with and governed by the laws applicable to contracts made and wholly performed in the State of Delaware.

(b) This Agreement may be executed in one or more counterparts.

(c) This Agreement shall, except as otherwise provided herein, inure to the benefit of and be binding on the Company and its successors and assigns and on the Subscriber and its respective heirs, executors, administrators, successors and assigns.

(d) This Agreement, when accepted by the Company, will constitute the entire agreement among the parties hereto with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements and understandings, inducements or conditions,

express or implied, oral or written, except as herein contained and the Merger Agreement. This Agreement may not be modified, changed, waived or terminated other than by a writing executed by all of the parties hereto. No course of conduct or dealing shall be construed to modify, amend or otherwise affect any of the provisions hereof.

(e) When the context in which words are used in this Agreement indicates that such is the intent, singular words shall include the plural, and vice versa, and masculine words shall include the feminine and neuter genders, and vice versa.

(f) Captions are inserted for convenience only, are not a part of this Agreement and shall not be used in the interpretation of this Agreement.

9. CERTIFICATION. THE SUBSCRIBER CERTIFIES THAT IT HAS READ THIS ENTIRE SUBSCRIPTION AGREEMENT AND THAT EVERY STATEMENT MADE BY THE SUBSCRIBER HEREIN IS TRUE AND COMPLETE.

* * * * *

SUBSCRIBER SIGNATURE PAGE

The undersigned, desiring to acquire the aggregate of _____ shares of Common Stock, par value $0.05 per share (the "Shares"), for a subscription price of $4 per share, acknowledges that it has received and understands the terms and conditions of the Subscription Agreement and that it does hereby agree to all of the terms and conditions contained therein.

IN WITNESS WHEREOF, the undersigned has hereby executed this Subscription Agreement as of the date set forth below.

Exact name(s) of Subscriber(s): _____

By: _____

Name of Witness: _____

Signature of Witness: _____

Date: February 14, 2006

Residence or Mailing Address:_____

Telephone Numbers (include Area Code):

Business: ( ) _____ Home: ( ) _____

Social Security Number(s):_____

Mailing Address for Correspondence from the Company (if different):_____

_____

The foregoing subscription is accepted by Thorium Power, Inc. on the 14th day of February, 2006.

THORIUM POWER, INC.

By: /s/ Seth Grae

Seth Grae, President

AMENDED AND RESTATED
CONSULTING AGREEMENT

AMENDED AND RESTATED CONSULTING AGREEMENT, dated February 6, 2006 (this "***Agreement***"), between NOVASTAR RESOURCES, LTD., a Nevada corporation (the "***Company***") and ALAN GELBAND, an individual (the "***Consultant***"). For the purposes of this Agreement, either of the above shall be referred to as a "***Party***" and collectively as the "***Parties***".

BACKGROUND

On January 17, 2006, the Parties entered into a Consulting Agreement (the '***Original Agreement***') that provided for, among other things, the issuance to the Consultant of shares of the Company's common stock under an S-8 registration statement. Such shares have not been issued yet. The parties desire to amend the Original Agreement so that such shares will no longer be registered under an S-8 registration statement. Instead, the Consultant will receive restricted stock and will be granted piggyback registration rights on the terms specified herein.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises herein contained, the parties hereto, intending to be legally bound, hereby amend and restate the Original Agreement as follows:

1. Appointment of Consultant. Company hereby appoints Consultant and Consultant hereby agrees to render services to Company to assist Company with its business strategy, management and corporate expansion goals.

2. Services. During the term of this Agreement, Consultant shall provide advice to, undertake for and consult with Company concerning the contemplated business combination with Thorium Power, Inc. Specifically, the Consultant shall provide financial advice regarding the business combination with Thorium Power and assist in the management and coordination of the share exchange between Thorium Power and the Company and work with the Company and the Company's service providers to facilitate the transaction.

3. Compensation. For the services rendered and performed by Consultant during the term of this Agreement, Company shall, as soon as practicable after the date hereof: Pay to Consultant a total of Two Million, Three Hundred Eighty Nine Thousand, Five Hundred Fifty Eight (2,389,558) shares of the Company's Common Stock. If the total number of shares of common stock issuable hereunder to the Consultant is equal to less than one percent of the issued and outstanding common stock of the Company on a fully-diluted basis immediately after the closing of a business combination between Thorium Power and the Company (but not including as outstanding for this purpose any shares issued by the Company in a financing transaction after the Company has raised $2,750,000, in the aggregate, since January 1, 2006), then the Company shall issue to the Consultant immediately following such closing an additional number of shares such that the Consultant shall have received hereunder a total number of shares that represent one percent of the issued and outstanding common stock of the Company on a fully-diluted basis at such time and calculated as aforesaid . These shares will be restricted stock and the

Company's transfer agent will be instructed to imprint a standard restrictive legend that refers to transfer restrictions under the Securities Act of 1933, as amended and to impose stop transfer restrictions against the shares.

4. Term. The term ("***Term***") of this Consulting Agreement shall be for a period of six (6) months commencing on the date hereof.

5. Confidentiality. Consultant will not disclose to any other person, firm or corporation, nor use for its own benefit, during or after the Term of this Consulting Agreement, any trade secrets or other information designated as confidential by Company which is acquired by Consultant in the course of performing services hereunder. Any financial advice rendered by Consultant pursuant to this Consulting Agreement may not be disclosed in any manner without the prior written approval of Company.

6. Independent Contractor. Consultant and Company hereby acknowledge that Consultant is an independent contractor. Consultant shall not hold itself out as, nor shall it take any action from which others might infer that it is an agent of or a joint venture of Company. All taxes and other expenses are also responsibility of Consultant.

7. Miscellaneous. This Consulting Agreement sets forth the entire understanding of the Parties relating to the subject matter hereof, and supersedes and cancels any prior communications, understandings and agreements between the Parties, including the Original Agreement. This Consulting Agreement is non-exclusive and cannot be modified or changed, nor can any of its provisions be waived, except by written agreement signed by all Parties. This Consulting Agreement shall be governed by the laws of the State of New York without reference to the conflict of law principles thereof. In the event of any dispute as to the Terms of this Consulting Agreement, the prevailing Party in any litigation shall be entitled to reasonable attorney's fees.

8. Notices. Any notice required or permitted hereunder shall be given in writing (unless otherwise specified herein) and shall be deemed effectively given upon personal delivery or seven business days after deposit in the United States Postal Service, by (a) advance copy by fax, (b) mailing by express courier or registered or certified mail with postage and fees prepaid, addressed to each of the other Parties thereunto entitled at the addresses specified on the signature page hereto, or at such other addresses as a Party may designate by ten days advance written notice to each of the other Parties at the addresses above and to the attention of the persons that have signed below.

9. Piggyback Registration Rights.

(a) If at any time after the date hereof, the Company shall determine to register for its own account or the account of others under the Securities Act (including pursuant a demand for registration of any stockholder of the Company) any of its equity securities, other than on Form S-4 or Form S-8 or their then equivalents relating to shares of Common Stock to be issued solely in connection with any acquisition of any entity or business or shares of Common Stock issuable in connection with stock option or other employee benefit plans, it shall send to the Consultant written notice of such determination and, if within fifteen (15) days after receipt of such notice,

the Consultant shall so request in writing, the Company shall use its best efforts to include in such registration statement all or any part of the shares received by the Consultant hereunder (the "***Registrable Shares***"), except that if; in connection with a public offering of the Company the managing underwriter shall impose a limitation on the number of shares of such Common Stock which may be included in the registration statement because, in its judgment, such limitation is necessary to effect an orderly public distribution, then the Company shall be obligated to include in such registration statement only such limited portion of the Registrable Shares with respect to which such holder has requested inclusion hereunder. Notwithstanding the foregoing, shares of Common Stock which are Registrable Shares shall cease to be Registrable Shares upon the consummation of any sale pursuant to a registration statement or Rule 144 under the Securities Act or once such shares become eligible for resale pursuant to Rule 144(k).

(b) Effectiveness. The Company will use its best efforts to maintain the effectiveness for up to 90 days (or such shorter period of time as the underwriters need to complete the distribution of the registered offering) of any registration statement pursuant to which any of the Registrable Shares are being offered, and from time to time will amend or supplement such registration statement and the prospectus contained therein to the extent necessary to comply with the Securities Act and any applicable state securities statute or regulation. The Company will also provide the Consultant with as many copies of the prospectus contained in any such registration statement as it may reasonably request.

(c) Expenses. In the case of each registration effected under this Section, the Company shall bear all reasonable costs and expenses of each such registration on behalf of the selling holders of Registrable Shares, including, but not limited to, the Company's printing, legal and accounting fees and expenses, SEC and NASD filing fees and "Blue Sky" fees; provided, however, that the Company shall have no obligation to pay or otherwise bear any portion of the underwriters' commissions or discounts attributable to the Registrable Shares being offered and sold by the holders of the Registrable Shares, or the fees and expenses of counsel for the selling holders of Registrable Shares in connection with the registration of the Registrable Shares.

Please confirm that the foregoing sets forth our understanding by signing the enclosed copy of this Consulting Agreement where provided and returning it to me at your earliest convenience.

All Parties signing below do so with full authority:

COMPANY:

NOVASTAR RESOURCES, LTD.

By: /s/ Charles Merchant
Name: Charles Merchant
Title: CEO

CONSULTANT:

/s/ Alan Gelband
Alan Gelband

THE SECURITIES TO WHICH THIS PRIVATE PLACEMENT SUBSCRIPTION AGREEMENT (THE "SUBSCRIPTION AGREEMENT") RELATES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE, AND WILL BE ISSUED IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE 1933 ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE 1933 ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS.

CONFIDENTIAL
PRIVATE PLACEMENT SUBSCRIPTION AGREEMENT
(U.S. Accredited Subscribers)

TO: **Novastar Resources Ltd.**, a Nevada corporation (the "Company")
1 E. Liberty Street, Suite 6000, Reno, Nevada 89501

Purchase of Units

1. **Subscription**

1.1 On the basis of the representations and warranties and subject to the terms and conditions set forth herein, the undersigned (the "Subscriber") hereby irrevocably subscribes for and agrees to purchase _____ units (the "Units") at a price per Unit of US$0.30 (such subscription and agreement to purchase being the "Subscription"), for an aggregate purchase price of US$_____ (the "Subscription Proceeds").

1.2 Each Unit will consist of one common share in the capital of the Company (each, a "Share") and one-half of one common share purchase warrant (each whole share purchase warrant, a "Warrant") subject to adjustment. Each whole Warrant shall be non-transferable and shall entitle the holder thereof to purchase one share of common stock in the capital of the Company (each, a "Warrant Share"), as presently constituted, for a period of twelve months commencing from the Closing (as defined hereafter), at a price per Warrant Share of US$0.50 Certificate(s) representing the Warrants will be in the form attached as Exhibit A. The Shares, Warrants and the Warrant Shares are collectively referred to as the "Securities".

1.3 On the basis of the representations and warranties and subject to the terms and conditions set forth herein, the Company hereby irrevocably agrees to sell the Units to the Subscriber.

1.4 Subject to the terms hereof, the Subscription will be effective upon its acceptance by the Company. The Subscriber acknowledges that the offering of Units contemplated hereby (the "Offering") is not subject to any minimum aggregate subscription level.

2. **Payment**

2.1 The Subscription Proceeds must accompany this Subscription and shall be paid by certified cheque or bank draft drawn on a major bank in the United States reasonably acceptable to the Company, and made payable and delivered to the Company. Alternatively, the Subscription Proceeds may be wired to the Company pursuant to wiring instructions that will be provided to the Subscriber upon request.

2.2 The Subscriber acknowledges and agrees that this Subscription Agreement, the Subscription Proceeds and any other documents delivered in connection herewith will be held on behalf of the Company. In the event that this Subscription Agreement is not accepted by the Company for whatever reason, which the Company expressly reserves the right to do, within 30 days of the delivery of an executed Subscription Agreement by the Subscriber, this Subscription Agreement, the Subscription Proceeds (without interest thereon) and any other documents delivered in connection herewith will be returned to the Subscriber at the address of the Subscriber as set forth in this Subscription Agreement.

2.3 Where the Subscription Proceeds are paid to the Company, the Company is entitled to treat such Subscription Proceeds as an interest free loan to the Company until such time as the Subscription is accepted and the certificates representing the Shares have been issued to the Subscriber.

3. **Documents Required from Subscriber**

3.1 The Subscriber must complete, sign and return to the Company:

(a) an executed copy of this Subscription Agreement;

(b) a Prospective Investor Suitability Questionnaire in the form attached as Exhibit B (the "US Questionnaire"); and

(c) a British Columbia Accredited Investor Questionnaire in the form attached as Exhibit C (together with the US Questionnaire, the "Questionnaires").

3.2 The Subscriber shall complete, sign and return to the Company as soon as possible, on request by the Company, any documents, questionnaires, notices and undertakings as may be required by regulatory authorities and applicable law.

4. **Closing**

4.1 Closing of the offering of the Securities (the "Closing") shall occur on or before _____, 2006, or on such other date as may be determined by the Company (the "Closing Date").

4.2 The Company may, at its discretion, elect to close the Offering in one or more closings, in which event the Company may agree with one or more subscribers (including the Subscriber hereunder) to complete delivery of the Shares and the Warrants to such subscriber(s) against payment therefor at any time on or prior to the Closing Date.

5. **Acknowledgements of Subscriber**

5.1 The Subscriber acknowledges and agrees that:

(a) none of the Securities have been registered under the 1933 Act, or under any state securities or "blue sky" laws of any state of the United States, and, unless so registered, may not be offered or sold in the United States or, directly or indirectly, to U.S. Persons, as that term is defined in Regulation S under the 1933 Act ("Regulation S"), except in accordance with the provisions of Regulation S, pursuant to an effective registration statement under the 1933 Act, or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the 1933 Act;

(b) the Subscriber acknowledges that the Company has not undertaken, and will have no obligation, to register any of the Securities under the 1933 Act;

(c) by completing the Questionnaires, the Subscriber is representing and warranting that the Subscriber is an "Accredited Investor", as the term is defined in Regulation D under the 1933 Act and in Multilateral Instrument 45-103 adopted by the British Columbia Securities Commission;

(d) the decision to execute this Agreement and acquire the Securities hereunder has not been based upon any oral or written representation as to fact or otherwise made by or on behalf of the Company, and such decision is based entirely upon a review of information (the receipt of which is hereby acknowledged) which has been filed by the Company with the United States Securities and Exchange Commission and in compliance, or intended compliance, with applicable securities legislation (collectively, the "Public Record");

(e) if the Company has presented a business plan to the Subscriber, the Subscriber acknowledges that the business plan may not be achieved or be achievable;

(f) no securities commission or similar regulatory authority has reviewed or passed on the merits of the Securities;

(g) there is no government or other insurance covering the Securities;

(h) there are risks associated with an investment in the Securities, as more fully described in certain information forming part of the Public Record;

(i) the Company has advised the Subscriber that the Company is relying on an exemption from the requirements to provide the Subscriber with a prospectus and to sell the Securities through a person registered to sell securities under the *Securities Act* (British Columbia) (the "B.C. Act") and, as a consequence of acquiring the Securities pursuant to this exemption, certain protections, rights and remedies provided by the B.C. Act, including statutory rights of rescission or damages, will not be available to the Subscriber;

(j) the Subscriber has not acquired the Securities as a result of, and will not itself engage in, any "directed selling efforts" in the United States in respect of any of the Securities which would include any activities undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for the resale of any of the Shares or Warrant Shares; provided, however, that the Subscriber may sell or otherwise dispose of any of the Shares or Warrant Shares pursuant to registration thereof under the 1933 Act and any applicable state securities laws or under an exemption from such registration requirements;

(k) the Subscriber and the Subscriber's advisor(s) have had a reasonable opportunity to ask questions of and receive answers from the Company in connection with the distribution of the Securities hereunder, and to obtain additional information, to the extent possessed or obtainable without unreasonable effort or expense, necessary to verify the accuracy of the information about the Company;

(l) the books and records of the Company were available upon reasonable notice for inspection, subject to certain confidentiality restrictions, by the Subscriber during reasonable business hours at its principal place of business, and all documents, records and books in connection with the distribution of the Securities hereunder have been made available for inspection by the Subscriber, the Subscriber's lawyer and/or advisor(s);

(m) the Subscriber will indemnify and hold harmless the Company and, where applicable, its directors, officers, employees, agents, advisors and shareholders, from and against any and all loss, liability, claim, damage and expense whatsoever (including, but not limited to, any and all fees, costs and expenses whatsoever reasonably incurred in investigating, preparing or defending against any claim, lawsuit, administrative proceeding or investigation whether commenced or threatened) arising out of or based upon any representation or warranty of the Subscriber contained herein, the Questionnaire or in any document furnished by the Subscriber to the Company in connection herewith being untrue in any material respect or any breach or failure by the Subscriber to comply with any covenant or agreement made by the Subscriber to the Company in connection therewith;

(n) none of the Securities are listed on any stock exchange or automated dealer quotation system and no representation has been made to the Subscriber that any of the Securities will become listed on any stock exchange or automated dealer quotation system;

(o) in addition to resale restrictions imposed under U.S. securities laws, there are additional restrictions on the Subscriber's ability to resell the Shares and the Warrant Shares under the B.C. Act and Multilateral Instrument 45-102 adopted by the British Columbia Securities Commission;

(p) the Company will refuse to register any transfer of the Shares or the Warrant Shares not made pursuant to an effective registration statement under the 1933 Act or pursuant to an available exemption from the registration requirements of the 1933 Act;

(q) the Subscriber has been advised to consult the Subscriber's own legal, tax and other advisors with respect to the merits and risks of an investment in the Securities and with respect to applicable resale restrictions, and it is solely responsible (and the Company is not in any way responsible) for compliance with:

(i) any applicable laws of the jurisdiction in which the Subscriber is resident in connection with the distribution of the Securities hereunder, and

(ii) applicable resale restrictions; and

(r) this Subscription Agreement is not enforceable by the Subscriber unless it has been accepted by the Company.

6. **Representations, Warranties and Covenants of the Subscriber**

6.1 The Subscriber hereby represents and warrants to and covenants with the Company (which representations, warranties and covenants shall survive the Closing) that:

(a) the Subscriber has the legal capacity and competence to enter into and execute this Subscription Agreement and to take all actions required pursuant hereto and, if the Subscriber is a corporation, it is duly incorporated and validly subsisting under the laws of its jurisdiction of incorporation and all necessary approvals by its directors, shareholders and others have been obtained to authorize execution and performance of this Subscription Agreement on behalf of the Subscriber;

(b) the entering into of this Subscription Agreement and the transactions contemplated hereby do not result in the violation of any of the terms and provisions of any law applicable to, or the constating documents of, the Subscriber or of any agreement, written or oral, to which the Subscriber may be a party or by which the Subscriber is or may be bound;

(c) the Subscriber has duly executed and delivered this Subscription Agreement and it constitutes a valid and binding agreement of the Subscriber enforceable against the Subscriber;

(d) the Subscriber has the requisite knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the investment in the Securities and the Company, and the Subscriber is providing evidence of such knowledge and experience in these matters through the information requested in the Questionnaires;

(e) all information contained in the Questionnaires is complete and accurate and may be relied upon by the Company;

(f) the Subscriber is resident in the jurisdiction set out under the heading "Name and Address of Subscriber" on the signature page of this Subscription Agreement;

(g) the Subscriber is acquiring the Securities for investment only and not with a view to resale or distribution and, in particular, it has no intention to distribute either directly or indirectly any of the Securities in the United States or to U.S. Persons;

(h) the Subscriber is acquiring the Securities as principal for the Subscriber's own account (except for the circumstances outlined in paragraph 6.1(j)), for investment purposes only, and not with a view to, or for, resale, distribution or fractionalisation thereof, in whole or in part, and no other person has a direct or indirect beneficial interest in such Securities;

(i) the Subscriber is not an underwriter of, or dealer in, the common shares of the Company, nor is the Subscriber participating, pursuant to a contractual agreement or otherwise, in the distribution of the Securities;

(j) if the Subscriber is acquiring the Securities as a fiduciary or agent for one or more investor accounts:

(i) the Subscriber has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account, and

(ii) the investor accounts for which the Subscriber acts as a fiduciary or agent satisfy the definition of an "Accredited Investor", as the term is defined in Regulation D under the 1933 Act and in Multilateral Instrument 45-103 adopted by the British Columbia Securities Commission;

(k) the Subscriber acknowledges that the Subscriber has not acquired the Securities as a result of, and will not itself engage in, any "directed selling efforts" (as defined in Regulation S under the 1933 Act) in the United States in respect of any of the Securities which would include any activities undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for the resale of any of the Securities; provided, however, that the Subscriber may sell or otherwise dispose of any of the Securities pursuant to registration of any of the Securities pursuant to the 1933 Act and any applicable state securities laws or under an exemption from such registration requirements and as otherwise provided herein;

(l) the Subscriber is not aware of any advertisement of any of the Securities; and

(m) no person has made to the Subscriber any written or oral representations:

(i) that any person will resell or repurchase any of the Securities;

(ii) that any person will refund the purchase price of any of the Securities;

(iii) as to the future price or value of any of the Securities; or

(iv) that any of the Securities will be listed and posted for trading on any stock exchange or automated dealer quotation system or that application has been made to list and post any of the Securities of the Company on any stock exchange or automated dealer quotation system.

7. **Acknowledgement and Waiver**

7.1 The Subscriber has acknowledged that the decision to purchase the Securities was solely made on the basis of publicly available information contained in the Public Record. The Subscriber hereby waives, to the fullest extent permitted by law, any rights of withdrawal, rescission or compensation for damages to which the Subscriber might be entitled in connection with the distribution of any of the Securities.

8. **Legending of Subject Securities**

8.1 The Subscriber hereby acknowledges that that upon the issuance thereof, and until such time as the same is no longer required under the applicable securities laws and regulations, the certificates representing any of the Securities will bear a legend in substantially the following form:

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE AND HAVE BEEN ISSUED IN

RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS.

8.2 The Subscriber hereby acknowledges and agrees to the Company making a notation on its records or giving instructions to the registrar and transfer agent of the Company in order to implement the restrictions on transfer set forth and described in this Subscription Agreement.

9. **British Columbia Resale Restrictions**

9.1 The Subscriber acknowledges that the Securities are subject to resale restrictions in British Columbia and may not be traded in British Columbia except as permitted by the B.C. Act and the rules made thereunder.

9.2 Pursuant to Multilateral Instrument 45-102, as adopted by the BCSC, a subsequent trade in the Securities will be a distribution subject to the prospectus and registration requirements of applicable Canadian securities legislation (including the B.C. Act) unless certain conditions are met, which conditions include a hold period (the "Canadian Hold Period") that shall have elapsed from the date on which the Securities were issued to the Subscriber and, during the currency of the Canadian Hold Period, any certificate representing the Securities is to be imprinted with a restrictive legend (the "Canadian Legend").

9.3 By executing and delivering this Agreement, the Subscriber will have directed the Company not to include the Canadian Legend on any certificates representing the Securities to be issued to the Subscriber.

9.4 As a consequence, the Subscriber will not be able to rely on the resale provisions of Multilateral Instrument 45-102, and any subsequent trade in the Securities during or after the Canadian Hold Period will be a distribution subject to the prospectus and registration requirements of Canadian securities legislation, to the extent that the trade is at that time subject to any such Canadian securities legislation.

10. **Costs**

10.1 The Subscriber acknowledges and agrees that all costs and expenses incurred by the Subscriber (including any fees and disbursements of any special counsel retained by the Subscriber) relating to the purchase of the Shares shall be borne by the Subscriber.

11. **Governing Law**

11.1 This Subscription Agreement is governed by the laws of the Province of British Columbia. The Subscriber, in its personal or corporate capacity and, if applicable, on behalf of each beneficial purchaser for whom it is acting, irrevocably attorns to the jurisdiction of the courts of the Province of British Columbia.

12. **Survival**

12.1 This Subscription Agreement, including without limitation the representations, warranties and covenants contained herein, shall survive and continue in full force and effect and be binding upon the parties hereto notwithstanding the completion of the purchase of the Units by the Subscriber pursuant hereto.

13. **Assignment**

13.1 This Subscription Agreement is not transferable or assignable.

14. **Severability**

14.1 The invalidity or unenforceability of any particular provision of this Subscription Agreement shall not affect or limit the validity or enforceability of the remaining provisions of this Subscription Agreement.

15. **Entire Agreement**

15.1 Except as expressly provided in this Subscription Agreement and in the agreements, instruments and other documents contemplated or provided for herein, this Subscription Agreement contains the entire agreement between the parties with respect to the sale of the Units and there are no other terms, conditions, representations or warranties, whether expressed, implied, oral or written, by statute or common law, by the Company or by anyone else.

16. **Notices**

16.1 All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the Subscriber shall be directed to the address on page 9 and notices to the Company shall be directed to it at Novastar Resources Ltd., 1 E. Liberty Street, Suite 6000, Reno, Nevada 89501 Attention: Paul G. Carter, Fax No. (775) 686-6066.

17. Counterparts and Electronic Means

17.1 This Subscription Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, shall constitute an original and all of which together shall constitute one instrument. Delivery of an executed copy of this Agreement by electronic facsimile transmission or other means of electronic communication capable of producing a printed copy will be deemed to be execution and delivery of this Agreement as of the date hereinafter set forth.

18. Delivery Instructions

18.1 The Subscriber hereby directs the Company to deliver the Share and Warrant Certificates to:

_____
(name)

_____
(address)

18.2 The Subscriber hereby directs the Company to cause the Shares to be registered on the books of the Company as follows:

_____
(name)

_____
(address)

IN WITNESS WHEREOF the Subscriber has duly executed this Subscription Agreement as of the date of acceptance by the Company.

_____
(Name of Subscriber – Please type or print)

_____
(Signature and, if applicable, Office)

_____
(Address of Subscriber)

_____
(City, State or Province, Postal Code of Subscriber)

_____
(Country of Subscriber)

A C C E P T A N C E

The above-mentioned Subscription Agreement in respect of the Shares is hereby accepted by Novastar Resources Ltd.

DATED at _____, the _____ day of _____, 2006.

NOVASTAR RESOURCES LTD.

Per:
Authorized Signatory

EXHIBIT A

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE AND HAVE BEEN ISSUED IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS.

THESE WARRANTS WILL EXPIRE AND BECOME NULL AND VOID
AT 4:30 P.M. (VANCOUVER TIME) ON _____, 2007

SHARE PURCHASE WARRANTS
TO PURCHASE COMMON SHARES OF
NOVASTAR RESOURCES LTD.

incorporated in the State of Nevada

THIS IS TO CERTIFY THAT _____, (the "Holder") of _____, has the right to purchase, upon and subject to the terms and conditions hereinafter referred to, up to _____ fully paid and non-assessable common shares (the "Shares") in the capital of Novastar Resources Ltd. (hereinafter called the "Company") on or before 4:30 p.m. (Vancouver time) on _____, 2007 (the "Expiry Date") at a price per Share (the "Exercise Price") of US$0.50 on the terms and conditions attached hereto as Appendix "A" (the "Terms and Conditions").

1. ONE (1) WARRANT AND THE EXERCISE PRICE ARE REQUIRED TO PURCHASE ONE SHARE. THIS CERTIFICATE REPRESENTS _____ WARRANTS.

2. These Warrants are issued subject to the Terms and Conditions, and the Warrant Holder may exercise the right to purchase Shares only in accordance with those Terms and Conditions.

3. Nothing contained herein or in the Terms and Conditions will confer any right upon the Holder hereof or any other person to subscribe for or purchase any Shares at any time subsequent to the Expiry Date, and from and after such time, this Warrant and all rights hereunder will be void and of no value.

IN WITNESS WHEREOF the Company has executed this Warrant Certificate this _____ day of _____, 2006.

NOVASTAR RESOURCES LTD.

Per:

_____
Paul G. Carter, Principal Executive Officer

PLEASE NOTE THAT ALL SHARE CERTIFICATES MUST BE LEGENDED AS FOLLOWS DURING THE CURRENCY OF APPLICABLE HOLD PERIODS:

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE AND HAVE BEEN ISSUED IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS.

APPENDIX "A"

TERMS AND CONDITIONS dated _____, 2006, attached to the Warrants issued by Novastar Resources Ltd.

1. INTERPRETATION

1.1 Definitions

In these Terms and Conditions, unless there is something in the subject matter or context inconsistent therewith:

(a) "Company" means Novastar Resources Ltd. until a successor corporation will have become such as a result of consolidation, amalgamation or merger with or into any other corporation or corporations, or as a result of the conveyance or transfer of all or substantially all of the properties and estates of the Company as an entirety to any other corporation and thereafter "Company" will mean such successor corporation;

(b) "Company's Auditors" means an independent firm of accountants duly appointed as auditors of the Company;

(c) "Director" means a director of the Company for the time being, and reference, without more, to action by the directors means action by the directors of the Company as a Board, or whenever duly empowered, action by an executive committee of the Board;

(d) "herein", "hereby" and similar expressions refer to these Terms and Conditions as the same may be amended or modified from time to time; and the expression "Article" and "Section," followed by a number refer to the specified Article or Section of these Terms and Conditions;

(e) "person" means an individual, corporation, partnership, trustee or any unincorporated organization and words importing persons have a similar meaning;

(f) "shares" means the common shares in the capital of the Company as constituted at the date hereof and any shares resulting from any subdivision or consolidation of the shares;

(g) "Warrant Holders" or "Holders" means the holders of the Warrants; and

(h) "Warrants" means the warrants of the Company issued and presently authorized and for the time being outstanding.

1.2 Gender

Words importing the singular number include the plural and vice versa and words importing the masculine gender include the feminine and neuter genders.

1.3 Interpretation not affected by Headings

The division of these Terms and Conditions into Articles and Sections, and the insertion of headings are for convenience of reference only and will not affect the construction or interpretation thereof.

1.4 Applicable Law

The Warrants will be construed in accordance with the laws of the Province of British Columbia.

2. ISSUE OF WARRANTS

2.1 Additional Warrants

The Company may at any time and from time to time issue additional warrants or grant options or similar rights to purchase shares of its capital stock.

2.2 Warrant to Rank *Pari Passu*

All Warrants and additional warrants, options or similar rights to purchase shares from time to time issued or granted by the Company, will rank *pari passu* whatever may be the actual dates of issue or grant thereof, or of the dates of the certificates by which they are evidenced.

2.3 Issue in substitution for Lost Warrants

(a) In case a Warrant becomes mutilated, lost, destroyed or stolen, the Company, at its discretion, may issue and deliver a new Warrant of like date and tenor as the one mutilated, lost, destroyed or stolen, in exchange for and in place of and upon cancellation of such mutilated Warrant, or in lieu of, and in substitution for such lost, destroyed or stolen Warrant and the substituted Warrant will be entitled to the benefit hereof and rank equally in accordance with its terms with all other Warrants issued or to be issued by the Company.

(b) The applicant for the issue of a new Warrant pursuant hereto will bear the cost of the issue thereof and in case of loss, destruction or theft furnish to the Company such evidence of ownership and of loss, destruction, or theft of the Warrant so lost, destroyed or stolen as will be satisfactory to the Company in its discretion and such applicant may also be required to furnish indemnity in amount and form satisfactory to the Company in its discretion, and will pay the reasonable charges of the Company in connection therewith.

2.4 Warrant Holder Not a Shareholder

The holding of a Warrant will not constitute the Holder thereof a shareholder of the Company, nor entitle him to any right or interest in respect thereof except as in the Warrant expressly provided.

3. NOTICE

3.1 Notice to Warrant Holders

Any notice required or permitted to be given to the Holders will be in writing and may be given by prepaid registered post, electronic facsimile transmission or other means of electronic communication capable of producing a printed copy to the address of the Holder appearing on the Holder's Warrant or to such other address as any Holder may specify by notice in writing to the Company, and any such notice will be deemed to have been given and received by the Holder to whom it was addressed if mailed, on the third day following the mailing thereof, if by facsimile or other electronic communication, on successful transmission, or, if delivered, on delivery; but if at the time or mailing or between the time of mailing and the third business day thereafter there is a strike, lockout, or other labour disturbance affecting postal service, then the notice will not be effectively given until actually delivered.

3.2 Notice to the Company

Any notice required or permitted to be given to the Company will be in writing and may be given by prepaid registered post, electronic facsimile transmission or other means of electronic communication capable of producing a printed copy to the address of the Company set forth below or such other address as the Company may specify by notice in writing to the Holder, and any such notice will be deemed to have been given and received by the Company to whom it was addressed if mailed, on the third day following the mailing thereof, if by facsimile or other

electronic communication, on successful transmission, or, if delivered, on delivery; but if at the time or mailing or between the time of mailing and the third business day thereafter there is a strike, lockout, or other labour disturbance affecting postal service, then the notice will not be effectively given until actually delivered:

Novastar Resources Ltd.
1 E. Liberty Street, Suite 6000
Reno, Nevada 89501
USA

Attention: Paul G. Carter

Fax No. (775) 686-6066

with a copy to:

Clark Wilson LLP
Barristers and Solicitors
800 – 885 West Georgia Street
Vancouver, British Columbia
Canada V6C 3H1

Attention: William L. Macdonald

Fax: (604) 687-6314

4. EXERCISE OF WARRANTS

4.1 Method of Exercise of Warrants

The right to purchase shares conferred by the Warrants may be exercised by the Holder surrendering the Warrant Certificate representing same, with a duly completed and executed subscription in the form attached hereto and a bank draft or certified cheque payable to or to the order of the Company, at par, in Vancouver, Canada, for the purchase price applicable at the time of surrender in respect of the shares subscribed for in lawful money of the United States of America, to the Company at the address set forth in, or from time to time specified by the Company pursuant to, Section 3.2.

4.2 Effect of Exercise of Warrants

(a) Upon surrender and payment as aforesaid the shares so subscribed for will be deemed to have been issued and such person or persons will be deemed to have become the Holder or Holders of record of such shares on the date of such surrender and payment, and such shares will be issued at the subscription price in effect on the date of such surrender and payment.

(b) Within ten business days after surrender and payment as aforesaid, the Company will forthwith cause to be delivered to the person or persons in whose name or names the shares so subscribed for are to be issued as specified in such subscription or mailed to him or them at his or their respective addresses specified in such subscription, a certificate or certificates for the appropriate number of shares not exceeding those which the Warrant Holder is entitled to purchase pursuant to the Warrant surrendered.

4.3 Subscription for Less Than Entitlement

The Holder of any Warrant may subscribe for and purchase a number of shares less than the number which he is entitled to purchase pursuant to the surrendered Warrant. In the event of any purchase of a number of shares less than the number which can be purchased pursuant to a Warrant, the Holder thereof upon exercise thereof will in

addition be entitled to receive a new Warrant in respect of the balance of the shares which he was entitled to purchase pursuant to the surrendered Warrant and which were not then purchased.

4.4 Warrants for Fractions of Shares

To the extent that the Holder of any Warrant is entitled to receive on the exercise or partial exercise thereof a fraction of a share, such right may be exercised in respect of such fraction only in combination with another Warrant or other Warrants which in the aggregate entitle the Holder to receive a whole number of such shares.

4.5 Expiration of Warrants

After the expiration of the period within which a Warrant is exercisable, all rights thereunder will wholly cease and terminate and such Warrant will be void and of no effect.

4.6 Time of Essence

Time will be of the essence hereof.

4.7 Subscription Price

Each Warrant is exercisable at a price per share (the "Exercise Price") of US$0.50. One (1) Warrant and the Exercise Price are required to subscribe for each share during the term of the Warrants.

4.8 Adjustment of Exercise Price

(a) The Exercise Price and the number of shares deliverable upon the exercise of the Warrants will be subject to adjustment in the event and in the manner following:

(i) If and whenever the shares at any time outstanding are subdivided into a greater or consolidated into a lesser number of shares the Exercise Price will be decreased or increased proportionately as the case may be; upon any such subdivision or consolidation the number of shares deliverable upon the exercise of the Warrants will be increased or decreased proportionately as the case may be.

(ii) In case of any capital reorganization or of any reclassification of the capital of the Company or in the case of the consolidation, merger or amalgamation of the Company with or into any other Company (hereinafter collectively referred to as a "Reorganization"), each Warrant will after such Reorganization confer the right to purchase the number of shares or other securities of the Company (or of the Company's resulting from such Reorganization) which the Warrant Holder would have been entitled to upon Reorganization if the Warrant Holder had been a shareholder at the time of such Reorganization.

In any such case, if necessary, appropriate adjustments will be made in the application of the provisions of this Article Four relating to the rights and interest thereafter of the Holders of the Warrants so that the provisions of this Article Four will be made applicable as nearly as reasonably possible to any shares or other securities deliverable after the Reorganization on the exercise of the Warrants.

The subdivision or consolidation of shares at any time outstanding into a greater or lesser number of shares (whether with or without par value) will not be deemed to be a Reorganization for the purposes of this clause 4.8(a)(ii).

(b) The adjustments provided for in this Section 4.8 are cumulative and will become effective immediately after the record date or, if no record date is fixed, the effective date of the event which results in such adjustments.

4.9 Determination of Adjustments

If any questions will at any time arise with respect to the Exercise Price or any adjustment provided for in Section 4.8, such questions will be conclusively determined by the Company's Auditors, or, if they decline to so act any other firm of certified public accountants in the United States of America that the Company may designate and who will have access to all appropriate records and such determination will be binding upon the Company and the Holders of the Warrants.

5. COVENANTS BY THE COMPANY

5.1 Reservation of Shares

The Company will reserve and there will remain unissued out of its authorized capital a sufficient number of shares to satisfy the rights of purchase provided for herein and in the Warrants should the Holders of all the Warrants from time to time outstanding determine to exercise such rights in respect of all shares which they are or may be entitled to purchase pursuant thereto and hereto.

6. WAIVER OF CERTAIN RIGHTS

6.1 Immunity of Shareholders, etc.

The Warrant Holder, as part of the consideration for the issue of the Warrants, waives and will not have any right, cause of action or remedy now or hereafter existing in any jurisdiction against any past, present or future incorporator, shareholder, Director or Officer (as such) of the Company for the issue of shares pursuant to any Warrant or on any covenant, agreement, representation or warranty by the Company herein contained or in the Warrant.

7. MODIFICATION OF TERMS, MERGER, SUCCESSORS

7.1 Modification of Terms and Conditions for Certain Purposes

From time to time the Company may, subject to the provisions of these presents, modify the Terms and Conditions hereof, for the purpose of correction or rectification of any ambiguities, defective provisions, errors or omissions herein.

7.2 Warrants Not Transferable

The Warrant and all rights attached to it are not transferable.

DATED as of the date first above written in these Terms and Conditions.

NOVASTAR RESOURCES LTD.

By: _____
Paul G. Carter, Principal Executive Officer

FORM OF SUBSCRIPTION

TO: Novastar Resources Ltd.
1 E. Liberty Street, Suite 6000
Reno, Nevada 89501
USA

The undersigned Holder of the within Warrants hereby subscribes for _____ common shares (the "Shares") of Novastar Resources Ltd. (the "Company) pursuant to the within Warrants at US$0.50 per Share on the terms specified in the said Warrants. This subscription is accompanied by a certified cheque or bank draft payable to or to the order of the Company for the whole amount of the purchase price of the Shares.

The undersigned hereby directs that the Shares be registered as follows:

NAME(S) IN FULL	ADDRESS(ES)	NUMBER OF SHARES
	TOTAL:	

(Please print full name in which share certificates are to be issued, stating whether Mr., Mrs. or Miss is applicable).

DATED this _____ day of _____, _____.

In the presence of:

Signature of Witness Signature of Warrant Holder

Please print below your name and address in full.

Name (Mr./Mrs./Miss)

Address

INSTRUCTIONS FOR SUBSCRIPTION

The signature to the subscription must correspond in every particular with the name written upon the face of the Warrant without alteration or enlargement or any change whatever. If there is more than one subscriber, all must sign.

In the case of persons signing by agent or attorney or by personal representative(s), the authority of such agent, attorney or representative(s) to sign must be proven to the satisfaction of the Company.

If the Warrant certificate and the form of subscription are being forwarded by mail, registered mail must be employed.

EXHIBIT B

U.S. SECURITIES LAW QUESTIONNAIRE

All capitalized terms herein, unless otherwise defined, have the meanings ascribed thereto in the Subscription Agreement.

1. The Subscriber covenants, represents and warrants to the Company that:

(a) the Subscriber is a U.S. Person;

(b) the Subscriber has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the transactions detailed in the Subscription Agreement and it is able to bear the economic risk of loss arising from such transactions;

(c) the Subscriber is acquiring the Securities for investment only and not with a view to resale or distribution and, in particular, it has no intention to distribute either directly or indirectly any of the Securities in the United States or to U.S. Persons; provided, however, that the Subscriber may sell or otherwise dispose of any of the Securities pursuant to registration thereof pursuant to the *Securities Act of 1933* (the "1933 Act") and any applicable State securities laws unless an exemption from such registration requirements is available or registration is not required pursuant to Regulation S under the 1933 Act or registration is otherwise not required under this 1933 Act;

(d) the Subscriber satisfies one or more of the categories indicated below (please check the appropriate box):

☐ Category 1 An organization described in Section 501(c)(3) of the United States Internal Revenue Code, a corporation, a Massachusetts or similar business trust or partnership, not formed for the specific purpose of acquiring the Securities, with total assets in excess of US $5,000,000;

☐ Category 2 A natural person whose individual net worth, or joint net worth with that person's spouse, on the date of purchase exceeds US $1,000,000;

☐ Category 3 A natural person who had an individual income in excess of US $200,000 in each of the two most recent years or joint income with that person's spouse in excess of US $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;

☐ Category 4 A "bank" as defined under Section (3)(a)(2) of the 1933 Act or savings and loan association or other institution as defined in Section 3(a)(5)(A) of the 1933 Act acting in its individual or fiduciary capacity; a broker dealer registered pursuant to Section 15 of the *Securities Exchange Act of 1934* (United States); an insurance company as defined in Section 2(13) of the 1933 Act; an investment company registered under the *Investment Company Act of 1940* (United States) or a business development company as defined in Section 2(a)(48) of such Act; a Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the *Small Business Investment Act of 1958* (United States); a plan with total assets in excess of $5,000,000 established and maintained by a state, a political subdivision thereof, or an agency or instrumentality of a state or a political subdivision thereof, for the benefit of its employees; an

employee benefit plan within the meaning of the *Employee Retirement Income Security Act of 1974* (United States) whose investment decisions are made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company or registered investment adviser, or if the employee benefit plan has total assets in excess of $5,000,000, or, if a self-directed plan, whose investment decisions are made solely by persons that are accredited investors;

☐ Category 5 A private business development company as defined in Section 202(a)(22) of the *Investment Advisers Act of 1940* (United States);

☐ Category 6 A director or executive officer of the Company;

☐ Category 7 A trust with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the Securities, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) under the 1933 Act; or

☐ Category 8 An entity in which all of the equity owners satisfy the requirements of one or more of the foregoing categories; and

(e) the Subscriber is not acquiring the Securities as a result of any form of general solicitation or general advertising including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio, or television, or any seminar or meeting whose attendees have been invited by general solicitation or general advertising.

2. The Subscriber acknowledges and agrees that:

(a) if the Subscriber decides to offer, sell or otherwise transfer any of the Securities, it will not offer, sell or otherwise transfer any of such securities directly or indirectly, unless:

(i) the sale is to the Company;

(ii) the sale is made outside the United States in a transaction meeting the requirements of Rule 904 of Regulation S under the 1933 Act and in compliance with applicable local laws and regulations;

(iii) the sale is made pursuant to the exemption from the registration requirements under the 1933 Act provided by Rule 144 thereunder if available and in accordance with any applicable state securities or "Blue Sky" laws; or

(iv) the Securities are sold in a transaction that does not require registration under the 1933 Act or any applicable U.S. state laws and regulations governing the offer and sale of securities, and it has prior to such sale furnished to the Company an opinion of counsel reasonably satisfactory to the Company;

(b) any of the Warrants may not be exercised in the United States or by or on behalf of a U.S. Person unless registered under the 1933 Act and any applicable state securities laws unless an exemption from such registration requirements is available;

(c) the Subscriber has not acquired the Securities as a result of, and will not itself engage in, any "directed selling efforts" (as defined in Regulation S under the 1933 Act) in the United States in respect of the Securities which would include any activities undertaken for the purpose of, or that

could reasonably be expected to have the effect of, conditioning the market in the United States for the resale of any of the Securities; provided, however, that the Subscriber may sell or otherwise dispose of any of the Securities pursuant to registration of any of the Securities pursuant to the 1933 Act and any applicable state securities laws or under an exemption from such registration requirements and as otherwise provided herein; ‘

(d) upon the issuance thereof, and until such time as the same is no longer required under the applicable requirements of the 1933 Act or applicable U.S. State laws and regulations, the certificates representing any of the Securities will bear a legend in substantially the following form:

“THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS.”

(e) the Company may make a notation on its records or instruct the registrar and transfer agent of the Company in order to implement the restrictions on transfer set forth and described herein; and

(f) the Subscriber, if an individual, is a resident of the state or other jurisdiction in its address on the Subscriber’s execution page of the Subscription Agreement, or if the Subscriber is not an individual, the office of the Subscriber at which the Subscriber received and accepted the offer to acquire the Securities is the address listed on the Subscriber’s execution page of the Subscription Agreement.

IN WITNESS WHEREOF, the undersigned has executed this Questionnaire as of the _____ day of _____, 2006.

If a Corporation, Partnership or Other Entity:	If an Individual:
Print or Type Name of Entity	Signature
Signature of Authorized Signatory	Print or Type Name
Type of Entity	Social Security/Tax I.D. No.

EXHIBIT C

MULTILATERAL INSTRUMENT 45-103

ACCREDITED INVESTOR QUESTIONNAIRE

The purpose of this Questionnaire is to assure Novastar Resources Ltd. (the "Company") that the undersigned (the "Subscriber") will meet certain requirements for the registration and prospectus exemptions provided for under Multilateral Instrument 45-103 ("MI 45-103"), as adopted by the British Columbia Securities Commission and the Alberta Securities Commission, in respect of a proposed private placement of securities by the Company (the "Transaction"). The Company will rely on the information contained in this Questionnaire for the purposes of such determination.

The undersigned Subscriber covenants, represents and warrants to the Company that:

1. the Subscriber has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the Transaction and the Subscriber is able to bear the economic risk of loss arising from such Transaction;

2. the Subscriber satisfies one or more of the categories of "accredited investor" (as that term is defined in MI 45-103) indicated below (please check the appropriate box):

☐ an individual who beneficially owns, or who together with a spouse beneficially own, financial assets (as defined in MI 45-103) having an aggregate realizable value that, before taxes but net of any related liabilities, exceeds CDN.$1,000,000;

☐ an individual whose net income before taxes exceeded CDN.$200,000 in each of the two more recent years or whose net income before taxes combined with that of a spouse exceeded $300,000 in each of those years and who, in either case, has a reasonable expectation of exceeding the same net income level in the current year;

☐ an individual registered or formerly registered under the *Securities Act* (British Columbia), or under securities legislation in another jurisdiction of Canada, as a representative of a person or company registered under the *Securities Act* (British Columbia), or under securities legislation in another jurisdiction of Canada, as an adviser or dealer, other than a limited market dealer registered under the *Securities Act* (Ontario);

☐ a Canadian financial institution as defined in National Instrument 14-101, or an authorized foreign bank listed in Schedule III of the *Bank Act* (Canada);

☐ the Business Development Bank of Canada incorporated under the *Business Development Bank Act* (Canada);

☐ an association under the *Cooperative Credit Associations Act* (Canada) located in Canada;

☐ a subsidiary of any company referred to in any of the foregoing categories, where the company owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary;

☐ a person or company registered under the *Securities Act* (British Columbia), or under securities legislation of another jurisdiction of Canada, as an adviser or dealer, other than a limited market dealer registered under the *Securities Act* (Ontario);

☐ a pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a provincial pension commission or similar regulatory authority;

☐ an entity organized in a foreign jurisdiction that is analogous to any of the entities referred to in any of the foregoing categories in form and function;

☐ the government of Canada or a province, or any crown corporation or agency of the government of Canada or a province;

☐ a municipality, public board or commission in Canada;

☐ a national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency thereof;

☐ a registered charity under the *Income Tax Act* (Canada);

☐ a corporation, limited partnership, limited liability partnership, trust or estate, other than a mutual fund or non-redeemable investment fund, that had net assets of at least CDN.$5,000,000 as reflected on its most recently prepared financial statements;

☐ a mutual fund or non-redeemable investment fund that, in the local jurisdiction, distributes it securities only to persons or companies that are accredited investors;

☐ a mutual fund or non-redeemable investment fund that, in the local jurisdiction, distributes its securities under a prospectus for which the regulator has issued a receipt; or

☐ a person or company in respect of which all of the owners of interests, direct or indirect, legal or beneficial, are persons or companies that are accredited investors.

The Subscriber acknowledges and agrees that the Subscriber may be required by the Company to provide such additional documentation as may be reasonably required by the Company and its legal counsel in determining the Subscriber's eligibility to acquire the Shares under relevant Legislation.

IN WITNESS WHEREOF, the undersigned has executed this Questionnaire as of the _____ day of _____, 2006.

If a Corporation, Partnership or Other Entity:	If an Individual:
Print or Type Name of Entity	Signature
Signature of Authorized Signatory	Print or Type Name
_____ Type of Entity	

Novastar Resources Ltd. and Thorium Power, Inc. Sign Definitive Merger Agreement; Companies to Operate as Single Entity

NEW YORK-(Business Wire)-Feb 14, 2006 Novastar Resources Ltd. (OTCBB: NVAS), a commercial mining firm engaged in the exploration of thorium, platinum group metals and rare earth minerals, and Thorium Power, Inc., a designer of proliferation-resistant thorium-based nuclear fuels, today announced the signing of a definitive merger agreement. Upon consummation of the merger, which has been approved by the board of directors of both companies, Thorium Power will become a wholly-owned subsidiary of Novastar Resources, and the combined company will operate under the name Thorium Power Ltd.

Under the merger agreement, each common share of Thorium Power will be converted into securities of Novastar Resources such that Thorium Power's current stockholders will own approximately 54.5% of the combined company. In addition, Novastar Resources anticipates the appointment of new directors and officers following the merger. The combined company will be headquartered in the Washington D.C. area, where Thorium Power is presently based.

Seth Grae, currently President and Chief Executive Officer of Thorium Power, will be assuming shortly the positions of President and Chief Executive Officer of Novastar Resources in accordance with the terms of the merger agreement. At that time, Dr. Charles Merchant, Chief Operating Officer and Interim Chief Executive Officer of Novastar Resources, will resign from these positions and will serve as Novastar Resources' Head of Mining Operations.

Seth Grae, President and Chief Executive Officer of Thorium Power, commented, "The completion of this merger agreement marks a major milestone for both companies and their stockholders. Thorium Power has developed critical technologies enabling society to meet its increasing energy needs while protecting citizens from proliferative substances. Combining forces strengthens the position of Thorium Power as it enters a future of limitless possibilities."

The merger is conditioned upon, among other things, approvals by stockholders of Novastar Resources and Thorium Power of certain corporate matters, the declaration of effectiveness by a registration statement by the Securities and Exchange Commission and any other necessary regulatory approvals. The companies anticipate that these conditions can be satisfied by the second or third quarter of 2006.

Novastar Resources expects to announce shortly an investor conference call later this week. The purpose of this conference call will be to introduce new management and discuss business strategies and growth prospects.

About Novastar Resources

Novastar Resources is a publicly traded company within the commercial mining sector and is a commercial mining firm engaged in the exploration of thorium, a naturally occurring metal that can be used to provide nuclear energy, with non-proliferation, waste and economic advantages, in comparison to standard uranium fuels. Novastar Resources' stock is traded and quoted on the OTC Bulletin Board under the symbol "NVAS". Further information is available on Novastar Resources' website at www.novastarresources.com.

About Thorium Power

Thorium Power was founded in 1992 to develop technology invented by Dr. Alvin Radkowsky, the first chief scientist of the U.S. Naval Reactors program under Admiral H.G. Rickover from 1950-1972 and head of the design team of the first commercial nuclear power plant in Shippingport, Pennsylvania. Thorium Power was formed to develop and deploy nuclear fuel designs developed by Dr. Radkowsky to stop the production of weapons suitable plutonium and eliminate existing plutonium stockpiles. Thorium Power has been collaborating with nuclear scientists and engineers at Russia's prestigious Kurchatov Institute since 1994. For more information, please visit www.thoriumpower.com.

Additional Information

This communication is not a solicitation of a proxy from any security holder of Novastar Resources. Novastar Resources intends to file with the Securities and Exchange Commission a registration statement that may include a joint proxy statement or prospectus or other relevant documents to be mailed to security holders in connection with the proposed merger of Novastar Resources and Thorium Power. WE URGE INVESTORS AND SECURITY HOLDERS TO READ THAT DOCUMENT AND ANY OTHER RELEVANT DOCUMENTS WHEN THEY BECOME AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT NOVASTAR RESOURCES, THORIUM POWER AND THE PROPOSED MERGER. Investors and security holders will be able to obtain these materials (when they are available) and other documents filed with the SEC free of charge at the SEC's website, www.sec.gov. In addition, a copy of any such document (when it becomes available) may be obtained free of charge from Novastar Resources Ltd., Attention: Sean Mulhearn, 8300 Greensboro Drive, McLean, VA 22102.

The respective directors and executive officers of Novastar Resources and other persons may be deemed to be participants in any solicitation of proxies in respect of the proposed transaction. Information regarding Novastar Resources' directors and executive officers is available in its proxy statement filed with the SEC by Novastar Resources on February 2, 2005. Other information regarding the participants in any proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in any joint proxy statement or prospectus or other relevant materials to be filed with the SEC when they become available.

This press release may include certain statements that are not descriptions of historical facts, but are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements may include the description of our plans and objectives for future operations, assumptions underlying such plans and objectives, statements regarding benefits of the proposed merger and other forward-looking terminology such as “may”, “expects”, “believes”, “anticipates”, “intends”, “expects”, “projects” or similar terms, variations of such terms or the negative of such terms. There are a number of risks and uncertainties that could cause actual results to differ materially from the forward-looking statements made herein. These risks, as well as other risks associated with the merger, will be more fully discussed in any joint proxy statement or prospectus or other relevant document filed with the Securities and Exchange Commission in connection with the proposed merger. Such information is based upon various assumptions made by, and expectations of, our management that were reasonable when made but may prove to be incorrect. All of such assumptions are inherently subject to significant economic and competitive uncertainties and contingencies beyond our control and upon assumptions with respect to the future business decisions which are subject to change. Accordingly, there can be no assurance that actual results will meet expectations and actual results may vary (perhaps materially) from certain of the results anticipated herein.

Novastar Resources Ltd. (OTC Bulletin Board: NVAS - News)

Contacts:

Novastar Resources Ltd.
David J. DiRicco
Investor Relations
(877) 995-0992

www.novastarresources.com

OR

Thorium Power, Inc.
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