

**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): January 30, 2006 (January 10, 2006)

NOVASTAR RESOURCES LTD.

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

Nevada	000-28535	91-1975651
(State or other jurisdiction of of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)
1 E. Liberty Street, Suite 6000, Reno, Nevada 89501		
(Address of Principal Executive Offices)		
(775) 686-6182		
(Registrant's Telephone Number, Including Area Code)		

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
(see General Instruction A.2. below):

- ☐ 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))
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Item 8.01. Other Events.

Letter of Intent with Thorium Power

On January 10, 2006, Novastar Resources Ltd. (the “Company”) and Thorium Power, Inc. (“Thorium Power,” together with the Company, the “Parties”) entered into a non-binding letter of intent (“Letter of Intent”) for a business combination between the Company and Thorium Power (the “Transaction”).

As outlined in the Letter of Intent, the Transaction will be structured as a tax-free reverse triangular merger pursuant to which a newly formed subsidiary of the Company will be merged with and into Thorium Power, with Thorium Power as the surviving entity. In connection with the Transaction, stockholders of Thorium Power expect to receive securities of the Company that will be equal to approximately 55% of the issued and outstanding common stock of the Company at the closing of the Transaction on a fully diluted basis.

The Letter of Intent also contemplates a financing whereby the Company will seek to raise at least \$2,750,000, at least \$1,000,000 of which will be invested in Thorium Power common stock at a price of \$4.00 per share.

Definitive Agreements for the Transaction are expected to be signed in the first calendar quarter of 2006. When the definitive agreements are signed, it is anticipated that Seth Grae, the President and CEO of Thorium Power, will be appointed as the CEO of the Company. The Letter of Intent is non-binding and there are no assurances that a closing will occur.

The Letter of Intent and the press release are filed as exhibits to this Current Report on Form 8-K.

Consulting Agreement

On January 17, 2006, the Company entered into a consulting agreement with Alan Gelband pursuant to which the Company will issue 2,363,000 free-trading shares of the Company’s common stock (the “Shares”) to Alan Gelband in consideration for his financial services in connection with the contemplated Transaction with Thorium Power. The Shares will be issued under the Company’s 2005 Augmented Compensation Plan for Outside Consultants and will be covered under a registration statement on Form S-8 filed by the Company on August 19, 2005. This consulting agreement has a term of six (6) months.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits

Exhibit No.	Description
99.1	Letter of Intent
99.2	Press Release
99.3	Consulting Agreement

SIGNATURE

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, in the City of Reno, Nevada on January 30, 2006.

NOVASTAR RESOURCES LTD.

By: /s/ Charles Merchant

Charles Merchant
Chief Operating Officer

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
99.1	Letter of Intent
99.2	Press Release
99.3	Consulting Agreement

Date: January 10, 2006

From: Novastar Resources Ltd.

To: Board of Directors of Thorium Power, Inc.:

Re: Nonbinding Letter of Intent

After careful review and consideration, the board of directors of Novastar Resources, Ltd. ("Novastar") has agreed upon this draft proposal for a future business combination between Thorium Power, Inc. ("Thorium Power") and Novastar. We respectfully submit this draft proposal to Thorium Power as the first formal step towards a completed business combination between the two companies. This proposal is not intended to create any legally binding obligations on either party, and, except as specified in paragraph 11 below, no such obligation will be created unless and until the parties enter into definitive agreements relating to the transactions contemplated hereby.

The proposed terms of the contemplated transaction are as specified below.

1. Transaction Structure.

(a) The transaction will be structured as a tax-free reverse triangular merger (the "Merger") pursuant to which a newly formed subsidiary of Novastar ("Merger Sub") will be merged with and into Thorium Power with Thorium Power as the surviving entity. In connection with the Merger, the stockholders of Thorium Power would receive shares (the "Preferred Shares") of a newly-designated series of Preferred Stock of Novastar. The Preferred Shares will be convertible into approximately 55% of the issued and outstanding common stock of Novastar at closing of the Merger (the "Closing") on a fully-diluted basis. At or prior to the Closing, Thorium Power will undertake to convert 2,492,000 of Thorium Power's outstanding options and warrants that are "in the money" into shares of Thorium Power's common stock, which would then be exchanged in the Merger for part of the Novastar shares specified above. The remaining 493,095 Thorium Power options and warrants that are not "in the money" will be assumed by Novastar and exercisable for shares of Novastar common stock in the same ratio as Thorium Power shares are being exchanged for Novastar shares and the Novastar warrants will have substantially identical terms to those of the Thorium Power warrants, including as to exercise price and term. All of the Novastar warrants issued in connection with the Merger will have a cashless exercise feature.

(b) As soon as possible following the Closing, Novastar will amend its charter to authorize additional shares of its common stock such that all of the Preferred Stock may be converted. The terms of the Preferred Stock will include a provision that requires the conversion of the Preferred Stock as soon as there is sufficient Novastar common stock to effect such conversion.

2. Financing. As soon as practicable after the date hereof, Novastar shall seek to raise at least \$2,750,000. Novastar will invest at least \$1,000,000 in Thorium Power Common Stock at a price of \$4.00 per share, as soon as it raises such funds. The parties expect this investment to occur during January 2006. The percentage of Novastar to be received by the stockholders of Thorium Power as described in paragraph 1 above in connection with the Merger is on a post-financing basis. Also, such percentage assumes that (i) Novastar will not receive any shares in connection with the Merger as a result of its equity interest in Thorium Power, and (ii) all stock compensation payable in connection with the financing and other stock compensation issuable to new advisors, officers, directors, advisory board members and others (in an aggregate amount not to exceed 20 million shares) has already been issued.

3. Form S-4/ Registration Rights. If available, the parties will utilize Form S-4 (or any successor form of registration statement) to register the securities of Novastar being issued to the stockholders of Thorium Power in the Merger. If, for any reason, Form S-4 is not available, the shareholders and warrant holders of Thorium Power (the "Securityholders") will be granted customary demand and piggyback registration rights that cover all of the Underlying Common Stock (and shares underlying Novastar warrants) received in the Merger (the "Registrable Securities"). If necessary, Novastar will include the Registrable Securities in any re-sale registration statement filed on behalf of the investors who invest in the financing described in 2 above, but in any event, if the Registrable Securities are not covered by an effective S-4 registration statement, then Novastar shall file a registration statement that covers such Registrable Securities within 90 days following the Closing.

4. Due Diligence Cooperation. For a reasonable period after the date hereof, each party agrees to provide information about the other, as well as reasonable access to its personnel, facilities, contracts, books and records and customers, to such party (including its representatives, agents, lenders and investors) for the purpose of completing its due diligence.

5. Operation of Novastar Business. Novastar will (a) operate its business in the ordinary course of business consistent with past practices and refrain from extraordinary transactions; (b) maintain its properties and other assets in good working order (normal wear excepted); (c) refrain from making any distributions to stockholders; (d) refrain from issuing any securities other than in connection with the financing described in Section 2 above or any other financing at market terms, or in connection with the exercise of outstanding options or warrants, (e) enter into any employment or consulting agreements or other material contracts, (f) make any material capital expenditures, and (f) use their best efforts to maintain Novastar's business assets and operations as an ongoing concern and in accordance with past practice, including the maintenance of Novastar as a company whose securities are quoted on the Over-the-Counter Bulletin Board.

6. Chief Executive Officer. Seth Grae will be appointed as the CEO of the merged companies, effectively immediately subsequent to the signing of the definitive merger agreement.

7. Name Change & Symbol Change. The name of the combined company shall be changed to Thorium Power, Ltd. from Novastar Resources Ltd. The trading symbol shall also change from (OTCBB: NVAS) to a new symbol (unknown at this time) to better reflect the change in name.

8. Corporate Headquarters. The corporate headquarters of the combined company shall exist at Thorium Power's current offices in Tysons Corner, VA and have offices and operations in Alabama for mining and resources operations.

9. Public Announcement. Upon approval by Thorium Power of the terms of this proposal, Novastar will issue the press release that is attached at the end of this proposal.

10. Governing Law. This Letter of Intent will be governed by, and construed in accordance with, the laws of the State of New York without regard to conflict of law principles.

11. Definitive Agreements. This letter of intent is not intended to, and will not be construed to create, a legally binding obligation on the part of any party with respect to the proposed transaction except with regard to this paragraph, Paragraphs 4 (Due Diligence), 5 (Operation of Novastar Business), and 10 (Governing Law), which will be legally binding on the parties hereto.

The parties have executed this nonbinding letter of intent as of the date first above written.

NOVASTAR RESOURCES, LTD.

By: /s/ Charles Merchant
Charles Merchant, Chief Operating Officer

THORIUM POWER, INC.

By: /s/ Seth Grae
Seth Grae, President & CEO

Novastar Resources in Formal Negotiations to Merge with Thorium Power, Inc.

Novastar Resources Ltd. (OTCBB: NVAS), a commercial mining firm engaged in the exploration of Thorium, Platinum Group Metals, and Rare Earth Metals, has today announced that it is in formal discussions relating to a business combination with privately held Thorium Power, Inc. with offices in the Washington D.C. area. Upon consummation of the proposed merger, the shareholders of Thorium Power would own a slight majority of the combined company.

Novastar Resources expects to enter into definitive agreements with Thorium Power relating to the business combination during the first calendar quarter of 2006. The closing would be subject to customary closing conditions, including satisfactory completion of due diligence by both parties. The combined company also anticipates a name change to "Thorium Power, Ltd." and a related symbol change.

The acquisition of Thorium Power would strengthen the Novastar Resources business model by combining the intellectual property assets of Thorium Power with the mineral properties of Novastar Resources and the benefits of being a publicly-traded company. In addition, upon closing of the proposed merger, Seth Grae will be named the CEO of the combined company.

Novastar Resources COO and Interim CEO, Dr. Charles Merchant, stated "We expect the merger to allow for the production of nuclear power with enhanced proliferation resistance and the ability to produce electricity through the elimination of existing plutonium stockpiles. We also expect the merger to enhance the value of our existing mining properties."

Thorium Power, Inc. President Seth Grae commented "Today marks exactly 14 years since the incorporation of Thorium Power. The timing is now perfect to combine Novastar Resources' access to the public capital markets, institutional investor base and mining properties with Thorium Power's technology and government and industry relationships. We believe this merger is the best way to maximize shareholder value for all shareholders involved in both companies."

About Thorium Power, Inc.

Thorium Power, Inc. 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. The Company 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, Inc. has been collaborating with nuclear scientists and engineers at Russia's prestigious Kurchatov Institute since 1994. For more information, please visit: www.thoriumpower.com.

About Novastar Resources

Novastar Resources, Ltd. is a publicly traded company within the commercial mining sector and is a significant commercial mining source 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. The company's stock is traded and quoted on the OTC Bulletin Board under the symbol NVAS. Further information is available on the company's website at www.novastarresources.com.

Safe Harbor Statement 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 and 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 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. 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.

Contact

Dr. Charles Merchant, Chief Operating Officer
Telephone (800) 685-8082

or

David J. DiRicco, Investor Relations
(877) 995-0992

CONSULTING AGREEMENT

CONSULTING AGREEMENT, dated January 17, 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

The Company desires to retain the Consultant to provide the consulting services described herein for the compensation specified herein and the Consultant desires to provide such services in consideration for such compensation.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises herein contained, the parties hereto, intending to be legally bound, hereby agree 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. Specifically excluded from any services to be rendered is any activity relating to capital raising activities. Any such activities related to capital raising shall be the subject of a separate agreement if and when the need arises.
 3. Compensation. For the services rendered and performed by Consultant during the term of this Agreement, Company shall, upon acceptance of this Agreement: Pay to Consultant a total of Two Million, Three Hundred Sixty Three Thousand (2,363,000) free-trading shares under the Company's 2005 Augmented Compensation Plan for Outside Consultants. The shares being issued to the Consultant have been registered under a registration statement on Form S-8 filed by the Company on August 19, 2005.
 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.
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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. 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.

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

Charles Merchant, Chief Operating Officer

CONSULTANT:

/s/ Alan Gelband

Alan Gelband
