

NOVASTAR RESOURCES LTD.
Form PRE 14A
August 18, 2006

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

**SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934**

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission only (as permitted by Rule 14c-5(d)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under § 240.14a-12

NOVASTAR RESOURCES LTD.
(Name of Registrant as Specified in Its Charter)

Payment of Filing Fee (Check the appropriate box):

- No Fee Required
- \$125 per Exchange Act Rules O-11(c)(1)(ii), 14a-6(i)(1), 14a-6(i)(2) or Item 22(a)(2) of Schedule 14A.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

- Fee paid previously with preliminary materials:
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing party:

(4) Date filed:

NOVASTAR RESOURCES LTD.

Notice of Special Meeting of Stockholders

Notice is hereby given that a special meeting of stockholders of Novastar Resources Ltd., a Nevada corporation, will be held at the offices of Thelen Reid & Priest LLP, located at 701 8th Street NW, Washington, DC 20001 on Friday, September 29, 2006, beginning at 10:00 a.m. EST. The special meeting will be held for the following purposes:

1. To approve the Second Amended and Restated Novastar 2006 Stock Plan (the Plan);
2. To approve an amendment to the articles of incorporation of the Company that 1) changes the name of the Company to "Thorium Power, Ltd.", 2) increases the number of authorized common shares from 250,000,000 to 500,000,000 (the Amendment) and 3) increases the maximum number of directors that may appointed to the Board of Directors of the Company from five (5) to fifteen (15); and
3. To transact such other business as may properly come before the meeting or any postponements or adjournments of the meeting.

August 18, 2006 has been fixed as the record date for the determination of stockholders entitled to notice of and to vote at the special meeting and any postponements or adjournments, and only stockholders of record at the close of business on that date are entitled to notice and to vote at the special meeting.

We hope that you will use this opportunity to take an active part in our affairs by voting on the business to come before the special meeting either by executing and returning the enclosed proxy card or by casting your vote in person at the special meeting.

Stockholders unable to attend the special meeting in person are requested to date and sign the enclosed proxy card as promptly as possible. A stamped envelope is enclosed for your convenience. If a stockholder receives more than one proxy card because he or she owns shares registered in different names or addresses, each proxy card should be completed and returned.

By Order of the Board of Directors,

/s/ Seth Grae

Seth Grae
President and CEO

Novastar Resources Ltd.

8300 Greensboro Drive
Suite 800
McLean, VA 22102

PROXY STATEMENT

GENERAL INFORMATION

Proxy Solicitation

This proxy statement is being first mailed on or about August 29, 2006, to stockholders of Novastar Resources Ltd. by the board of directors to solicit proxies for use at the special meeting of stockholders to be held at the offices of Thelen Reid & Priest LLP, 701 8th St. NW, Washington, D.C. 20001, on Friday, September 29, 2006, beginning at 10:00 a.m. EST, and any postponements or adjournments to the meeting, for the purposes set forth in the accompanying notice of special meeting.

Proxies for use at the meeting are being solicited by our board of directors and will be solicited chiefly by mail. In addition to the solicitation of proxies by mail, directors, officers and regular employees may communicate with stockholders personally or by mail, telephone, telegram, or otherwise for the purpose of soliciting proxies, but no additional compensation will be paid to any of these persons for solicitation. The cost of soliciting proxies, including expenses in connection with preparing and mailing this proxy statement, will be borne by the Company. In addition, we will reimburse banks, brokers and other nominees for their reasonable out-of-pocket expenses in forwarding soliciting material to beneficial owners of shares held of record by these persons.

Only one proxy statement is being delivered to two or more security holders who share an address unless we have received contrary instruction from one or more of the security holders. We will promptly deliver upon written or oral request a separate copy of the proxy statement to a security holder at a shared address to which a single copy of the document was delivered. If you would like to request additional copies of the proxy statement, or if in the future you would like to receive multiple copies of proxy statements, information statements or annual reports, or, if you are currently receiving multiple copies of these documents and would, in the future, like to receive only a single copy, please so instruct Dennis Hays, the Company's Corporate Secretary, by writing to him at 8300 Greensboro Drive, Suite 800, McLean, Virginia, 22102.

Revocability and Voting of Proxy

A form of proxy for use at the special meeting and a return envelope for the proxy are enclosed. Stockholders may revoke the authority granted by their execution of proxies at any time before their effective exercise by filing with our Secretary a written notice of revocation or a duly executed proxy bearing a later date, or by voting in person at the meeting. Shares of common stock represented by executed and unrevoked proxies will be voted in accordance with the choice or instructions specified. If no specifications are given, the proxies solicited by the board of directors will be voted "FOR" the approval of our Second Amended and Restated 2006 Stock Plan, the approval of the amendment to our articles of incorporation referred to in paragraph 2 of the accompanying notice of special meeting, and such other matters as may duly come before the meeting.

Record Date and Voting Rights

August 18, 2006 has been fixed as the record date for the determination of stockholders entitled to notice of and to vote at the special meeting, and any postponements or adjournments. As of the record date, there were 155,126,474 shares of our common stock issued and outstanding. A majority of the shares entitled to vote, present in person or represented by proxy, will constitute a quorum at the meeting. With respect to the tabulation of proxies for purposes of constituting a quorum, abstentions and broker non-votes are treated as present.

Each share of common stock issued and outstanding on the record date is entitled to one vote on any matter presented for consideration and action by the stockholders at the special meeting. The affirmative vote of the holders of a majority of the outstanding shares of common stock is required for the adoption of our Second Amended and Restated 2006 Stock Plan and of the amendments to our articles of incorporation referred to in paragraph 2 of the accompanying notice of special meeting.

Under the Nevada General Corporation Law, stockholders do not have any rights of appraisal or similar rights of dissenters with respect to any of the proposals set forth in this proxy statement.

Interest of Officers and Directors in Matters to Be Acted Upon

None of our officers or directors have any interest in any of the matters to be acted upon.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information relating to the beneficial ownership of the Company's common stock by the Company's officers and directors, individually, and by the Company's officers and directors as a group as of July 11, 2006.

Name of Stockholder	Number of Shares	Percentage of Class
Seth Grae	6,000,000	5.5%
Thomas Graham, Jr.	190,000	*
Cornelius J. Milmoie	75,000	*
Andrey Mushakov	0	
Dennis Hays	0	
Larry Goldman	75,000	*
Directors and officers as a group (4 persons)	6,340,000	5.8%

* Less than 1%.

EXECUTIVE COMPENSATION

The following table sets forth information concerning all cash and non-cash compensation awarded to, earned by or paid to Seth Grae, the Company's Chief Executive Officer, Paul Carter, the Company's former Chief Executive Officer, President and Chairman, and Charles H. Merchant, the Company's Interim Chief Executive Officer, Chief Operating Officer and Secretary, during the Company's last three completed fiscal years. No executive officer of the Company received total annual salary and bonus in excess of \$100,000 during any of the last three completed fiscal years.

SUMMARY COMPENSATION TABLE

Name And Principal Position	Year	Annual Compensation			Long-Term Compensation			
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$) (3)	Awards		Payouts	All Other Compensation (\$)
					Restricted Stock Awards (\$)	Securities Under-lying Options/ SARs (#)	LTIP Payouts (\$)	
Seth Grae, Chief Executive Officer (1)	2006	38,095	0	0	5,000,000	7,200,000	0	0
	2005	0	0	0	0	0	0	0
	2004	0	0	0	0	0	0	0
Paul Carter, Former Chief Executive Officer, President, and Chairman (2)	2006	0	0	0	0	0	0	0
	2005	0	0	40,000	0	0	0	0
	2004	0	0	0	0	0	0	0
Charles H. Merchant, Interim Chief Executive Officer, Chief Operating Officer and Secretary(3)	2006	0	0	0	85,000	0	0	0
	2005	0	0	0	42,500	0	0	0
	2004	0	0	0	0	0	0	0

(1) Mr. Grae became the Company's Chief Executive Officer on March 17, 2006.

(2) Mr. Carter served as Novastar's Chief Executive Officer from 2002 until December 1, 2005.

(3) Mr. Merchant served as Novastar's interim Chief Executive Officer from December 1, 2005 until March 17, 2006.

(4) The value of perquisites and other personal benefits, securities and property for the named executive officers that do not exceed the lesser of \$1,000 or 10% of the total of the annual salary and bonus is not reported herein.

OPTION/SARs GRANTS IN LAST FISCAL YEAR

The following table sets forth the grant of stock options made during the year ended June 30, 2006 to the persons named in the Summary Compensation Table:

Name	Number of Securities Underlying Options Granted	% of Total Options Granted to Employees in Fiscal Period	Exercise Price per Share	Expiration Date
Seth Grae	7,200,000	[]	\$0.795	February 14, 2016
Paul Carter	0	N/A	N/A	N/A
Charles H. Merchant	0	N/A	N/A	N/A

**AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR
AND FISCAL YEAR-END OPTION/SAR VALUES**

The following table sets forth information with respect to unexercised stock options held by the persons named in the Summary Compensation Table at June 30, 2006. No stock options were exercised in the last fiscal year by those persons.

Name	Number of Unexercised Options at Fiscal Year-End		Value of Unexercised in-the-Money Options at Fiscal Year-End(\$)	
	Exercisable	Unexercisable	Exercisable	Unexercisable
Seth Grae	0	7,200,000	0	0
Paul Carter	0	0	0	0
Charles H. Merchant	0	0	0	0

LONG-TERM INCENTIVE PLANS - AWARDS IN LAST FISCAL YEAR

The following table sets forth information with respect to awards made to persons named in the Summary Compensation Table pursuant to a long-term incentive plan in the fiscal year ended June 30, 2006.

Name	Number of Shares, Units or Other Rights	Performance or Other Period Under Maturation or Payout	Estimated Future Payouts Under Non-Stock Price-Based Plans		
			Threshold	Target	Maximum
Seth Grae	0	0	0	0	0
Paul Carter	0	0	0	0	0
Charles H. Merchant	0	0	0		