

Edgar Filing: NEVSTAR CORP - Form 10-Q

NEVSTAR CORP
Form 10-Q
February 21, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-Q

(Mark one)

X Quarterly Report Under Section 13 or 15(d) of the Securities Exchange
----- Act of 1934

For the quarterly period ended December 31, 2005

Transition Report Under Section 13 or 15(d) of the Securities Exchange
----- Act of 1934

For the transition period from _____ to _____

Commission File Number: 0-21071

Nevstar Corporation
(Exact name of registrant as specified in its charter)

Nevada

(State of incorporation)

88-0309578

(IRS Employer ID Number)

12890 Hilltop Road, Argyle, TX 76226

(Address of principal executive offices) (Zip Code)

(972) 233-0300

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): YES X NO

State the number of shares outstanding of each of the issuer's classes of common equity as of the latest practicable date: February 20, 2006: 419,436

Edgar Filing: NEVSTAR CORP - Form 10-Q

Transitional Small Business Disclosure Format (check one): YES NO X
 --- ---

Nevstar Corporation

Form 10-Q for the Quarter ended December 31, 2005

Table of Contents

	Page

Part I - Financial Information	
Item 1 Financial Statements	3
Item 2 Management's Discussion and Analysis or Plan of Operation	12
Item 3 Quantitative and Qualitative Disclosures About Market Risk	13
Item 4 Controls and Procedures	14
Part II - Other Information	
Item 1 Legal Proceedings	14
Item 2 Unregistered Sales of Equity Securities and Use of Proceeds	14
Item 3 Defaults Upon Senior Securities	14
Item 4 Submission of Matters to a Vote of Security Holders	14
Item 5 Other Information	15
Item 6 Exhibits	15
Signatures	15

Edgar Filing: NEVSTAR CORP - Form 10-Q

Item 1 - Financial Statements

Nevstar Corporation
(a development stage enterprise)
Balance Sheets
December 31, 2005 and June 30, 2005

	(Unaudited) December 31, 2005	(Audited) June 30, 2005
	-----	-----
Assets		

Assets		
Cash on hand and in bank	\$ 15,045	\$ --
	-----	-----
Total Assets	\$ 15,045	\$ --
	=====	=====
Liabilities and Stockholders' Deficit		

Current Liabilities		
Current portion of long-term pre-petition tax liabilities	\$ 113,638	\$ 42,000
Accounts payable - trade	52,547	52,547
Accrued interest payable	78,763	63,058
Line of credit note payable to shareholder	390,625	380,304
	-----	-----
	635,573	537,909
	-----	-----
Long-Term Liabilities		
Pre-petition tax liabilities	--	128,857
	-----	-----
Total Liabilities	635,573	666,766
	-----	-----
Commitments and contingencies		
Stockholders' Deficit		
Preferred stock - \$0.01 par value		
10,000,000 shares authorized		
None issued and outstanding	--	--
Common stock - \$0.01 par value		
150,000,000 shares authorized		
419,436 and 169,436 shares		
issued and outstanding, respectively	4,164	1,694
Additional paid-in capital	577,986	505,456
Accumulated deficit - prior to development stage	(1,001,679)	(1,001,679)
Deficit accumulated during development stage	(200,999)	(172,237)
	-----	-----
Total Stockholders' Deficit	(620,528)	(666,766)
	-----	-----

Edgar Filing: NEVSTAR CORP - Form 10-Q

Total Liabilities and Stockholders' Deficit	\$ 15,045	\$ --
	=====	=====

The financial information presented herein has been prepared by management without audit by independent certified public accountants. The accompanying notes are an integral part of these financial statements.

3

Nevstar Corporation
(a development stage enterprise)
Statements of Operations and Comprehensive Loss
Six and Three months ended December 31, 2005 and 2004 and
Period from November 22, 2002 (date of bankruptcy settlement)
through December 31, 2005

(Unaudited)

	Six months ended December 31, 2005 -----	Six months ended December 31, 2004 -----	Three months ended December 31, 2005 -----	Three months ended December 31, 2004 -----
Revenues	\$ --	\$ --	\$ --	\$ --
Expenses				
General and administrative expenses	19,057	13,603	5,236	3,250
	-----	-----	-----	-----
Loss from Operations	(19,057)	(13,603)	(5,236)	(3,250)
Other Expense				
Other income	--	--	--	--
Gain on settlement of liabilities	9,985	--	9,985	--
Interest expense	(19,690)	(16,444)	(9,490)	(8,440)
	-----	-----	-----	-----
Loss before Provision for Income Taxes	(28,762)	(30,047)	(4,741)	(11,694)

Edgar Filing: NEVSTAR CORP - Form 10-Q

Provision for Income Taxes	--	--	--	--
	-----	-----	-----	-----
Net Loss	(28,762)	(30,047)	(4,741)	(11,694)
Other Comprehensive Income	--	--	--	--
	-----	-----	-----	-----
Comprehensive Loss	\$ (28,762)	\$ (30,047)	\$ (4,741)	\$ (11,694)
	=====	=====	=====	=====
Loss per weighted-average share of common stock outstanding, computed on Net Loss - basic and fully diluted	\$ (0.10)	\$ (0.18)	\$ (0.01)	\$ (0.07)
	=====	=====	=====	=====
Weighted-average number of shares of common stock outstanding	280,849	169,436	392,262	169,436
	=====	=====	=====	=====

The financial information presented herein has been prepared by management without audit by independent certified public accountants. The accompanying notes are an integral part of these financial statements.

4

Nevstar Corporation
(a development stage enterprise)
Statements of Cash Flows
Six months ended December 31, 2005 and 2004 and
Period from November 22, 2002 (date of bankruptcy settlement)
through December 31, 2005

(Unaudited)

Six months ended December 31, 2005	Six months ended December 31, 2004
-----	-----

Per
Nov
2002
ban
set
th
Dece

Edgar Filing: NEVSTAR CORP - Form 10-Q

Cash Flows from Operating Activities			
Net Loss	\$ (28,762)	\$ (30,047)	\$
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	--	--	
Gain on negotiated debt reduction in pre-petition tax liabilities	(9,985)	--	
(Increase) Decrease in			
Accounts payable - trade	--	(4,539)	
Accrued interest payable	15,705	16,445	
	-----	-----	-----
Net cash used in operating activities	(23,042)	(18,141)	
	-----	-----	-----
Cash Flows from Investing Activities	--	--	
	-----	-----	-----
Cash Flows from Financing Activities			
Proceeds from sale of common stock	75,000	--	
Cash received from long-term debt	10,321	32,141	
Cash paid on long-term debt	(47,234)	(14,000)	
	-----	-----	-----
Net cash provided by financing activities	38,087	18,141	
	-----	-----	-----
Increase (Decrease) in Cash and Cash Equivalents	15,045	--	
Cash and cash equivalents at beginning of period	--	--	
	-----	-----	-----
Cash and cash equivalents at end of period	\$ 15,045	\$ --	\$
	=====	=====	=====
Supplemental Disclosures of Interest and Income Taxes Paid			
Interest paid during the period	\$ 3,985	\$ --	\$
	=====	=====	=====
Income taxes paid (refunded)	\$ --	\$ --	\$
	=====	=====	=====

The financial information presented herein has been prepared by management without audit by independent certified public accountants. The accompanying notes are an integral part of these financial statements.

5

Nevstar Corporation
(a development stage enterprise)

Notes to Financial Statements

Note A - Organization and Description of Business

Edgar Filing: NEVSTAR CORP - Form 10-Q

Nevstar Corporation (Company) was incorporated under the laws of the State of Nevada on December 2, 1993 as Mesquite Gaming Corp. On October 3, 1995, the Company changed its name to NevStar Gaming Corporation and on September 18, 1997, changed its name to NevStar Gaming & Entertainment Corporation.

The Company was formed to acquire, develop, construct, own and manage hotel/casino projects. The Company's strategy was to concentrate its efforts on "niche" markets, such as "local" or "neighborhood" casinos. The Company obtained its license and related approvals from the Nevada Gaming Commission to conduct gaming at its initial hotel/casino, Mesquite Star Hotel and Casino (The Mesquite Star) in Mesquite, Nevada, pursuant to an Order of Registration dated June 23, 1998. On July 1, 1998, the Mesquite Star, opened for business and the Company began receiving revenues from operations. The Mesquite Star was located on an approximately 25-acre property in Mesquite, Nevada.

On December 1, 1999, the Company filed a voluntary petition for relief under Chapter 11 (the First Chapter 11 Proceeding) in the United States Bankruptcy Court, District of Nevada (Bankruptcy Court), Case No. 99-19566RCJ. The Company acted as debtor in possession during the First Chapter 11 Proceeding. In part as a result of the objections of certain of the Company's secured creditors and the Bankruptcy Court's belief that the Company could not be successfully reorganized in view of such objections, the Bankruptcy Court dismissed the First Chapter 11 Proceeding on or about March 2, 2000.

On March 3, 2000, Randy Black (Black) was appointed by the District Court of Clark County, Nevada as receiver for the Company. On or about March 8, 2000, Black caused the casino to cease all meaningful operations and the casino was closed. The Company has not engaged in business operations since that date. Subsequently, Black acquired the first trust deed on the casino from the bank and he began foreclosure proceedings against the casino.

On July 10, 2000, the Company again filed a voluntary petition for relief under Chapter 11 (the Second Chapter 11 Proceeding) in the Bankruptcy Court, Case No. BK-S-00-15075-LBR. During the Second Chapter 11 Proceeding, the Company acted as debtor in possession. During the course of the Second Chapter 11 Proceeding, the Bankruptcy Court permitted Black to foreclose on the casino, which occurred on November 13, 2000. In April, 2001, the Company and W/F Investment Corp. (W/F) submitted to the Bankruptcy Court a plan of reorganization, which was amended from time to time (the Plan of Reorganization). On February 20, 2002, the Bankruptcy Court issued an order confirming the Plan of Reorganization. On November 22, 2002, the Plan of Reorganization became effective. The Company issued 15,141,674 shares of common stock to holders of unsecured claims; 156,428 shares of common stock to certain administrative claimants and to a previously secured claim holder, and 27,807,219 shares of common stock to the Plan Proponents. The 7,583,687 shares of Common Stock that were previously outstanding were retained by the holders of those shares. There are a total of 50,715,008 shares of common stock outstanding after the issuance of shares under the Plan of Reorganization. The Plan of Reorganization authorized a reverse split of the Common Stock, which occurred on January 12, 2006. The effect of the reverse stock split is reflected in the accompanying financial statements as of the first day of the first period presented.

On September 6, 2005, the United States Bankruptcy Court, District of Nevada, issued a final decree in the Chapter 11 proceeding, formally removing the Company from the oversight of the Bankruptcy Court and ending all bankruptcy proceedings.

On October 11 2005, the Company entered into a Stock Purchase Agreement with Halter Financial Investments, L.P., a Texas limited partnership (HFI) pursuant to which the Company sold 250,000 newly issued, restricted post-reverse split shares (75,000,000 pre-reverse split shares) of its common stock to HFI, constituting a change of control of the Company.

Edgar Filing: NEVSTAR CORP - Form 10-Q

The Company's emergence from Chapter 11 of Title 11 of the United States Code on November 22, 2002 created the combination of a change in majority ownership and voting control - that is, loss of control by the then-existing stockholders, a court-approved reorganization, and a reliable measure of the entity's fair value - resulting in a fresh start, creating, in substance, a new reporting entity. Accordingly, the Company, post bankruptcy, has no significant assets, liabilities or operating activities. Therefore, the Company, as a new reporting entity, qualifies as a "development stage enterprise" as defined in Statement of Financial Accounting Standard No. 7, as amended.

The Company's post-bankruptcy business plan is to locate and combine with an existing, privately-held company which is profitable or, in management's view, has growth potential, irrespective of the industry in which it is engaged.

6

Nevstar Corporation (a development stage enterprise)

Notes to Financial Statements

Note A - Organization and Description of Business - Continued

However, the Company does not intend to combine with a private company which may be deemed to be an investment company subject to the Investment Company Act of 1940. A combination may be structured as a merger, consolidation, exchange of the Company's common stock for stock or assets or any other form which will result in the combined enterprise's becoming a publicly-held corporation.

As of the date of the accompanying financial statements and subsequent thereto, the Company does not have any operations.

Note B - Preparation of Financial Statements

The Company follows the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and has a year-end of June 30.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Management further acknowledges that it is solely responsible for adopting sound accounting practices, establishing and maintaining a system of internal accounting control and preventing and detecting fraud. The Company's system of internal accounting control is designed to assure, among other items, that 1) recorded transactions are valid; 2) valid transactions are recorded; and 3) transactions are recorded in the proper period in a timely manner to produce financial statements which present fairly the financial condition, results of operations and cash flows of the Company for the respective periods being presented

During interim periods, the Company follows the accounting policies set forth in its annual audited financial statements filed with the U. S. Securities and

Edgar Filing: NEVSTAR CORP - Form 10-Q

Exchange Commission on its Annual Report on Form 10-K for the year ended June 30, 2005. The information presented within these interim financial statements may not include all disclosures required by generally accepted accounting principles and the users of financial information provided for interim periods should refer to the annual financial information and footnotes when reviewing the interim financial results presented herein.

In the opinion of management, the accompanying interim financial statements, prepared in accordance with the U. S. Securities and Exchange Commission's instructions for Form 10-Q, are unaudited and contain all material adjustments, consisting only of normal recurring adjustments necessary to present fairly the financial condition, results of operations and cash flows of the Company for the respective interim periods presented. The current period results of operations are not necessarily indicative of results which ultimately will be reported for the full fiscal year ending June 30, 2006

Note C - Going Concern Uncertainty

The Company has no post-bankruptcy operating history, limited cash on hand, no other operating assets and has a business plan with inherent risk. Because of these factors, the Company's auditors have issued an audit opinion on the Company's June 30, 2005 financial statements which includes a statement describing the Company's going concern status. This means, in the Company's auditor's opinion, substantial doubt exists about the Company's ability to continue as a going concern at the date of their opinion.

The Company's majority stockholder maintains the corporate status of the Company and has provided all nominal working capital support on the Company's behalf since the bankruptcy discharge date. Because of the Company's lack of operating assets, its continuance is fully dependent upon the majority stockholder's continuing support. The majority stockholder intends to continue the funding of nominal necessary expenses to sustain the corporate entity.

The Company's continued existence is dependent upon its ability to generate sufficient cash flows from operations to support its daily operations as well as provide sufficient resources to retire existing liabilities and obligations on a timely basis. Further, the Company faces considerable risk in its business plan and a potential shortfall of funding due to our inability to raise capital in the equity securities market. If no additional operating capital is received during the next twelve months, the Company will be forced to rely on existing cash in the bank and additional funds loaned by management and/or significant stockholders. In the event, the Company is unable to acquire advances from management and/or significant stockholders, the Company's ongoing operations would be negatively impacted.

7

Nevstar Corporation
(a development stage company)

Notes to Financial Statements - Continued

Note C - Going Concern Uncertainty - Continued

The Company's business plan is to seek an acquisition or merger with a private operating company which offers an opportunity for growth and possible appreciation of our stockholders' investment in the then issued and outstanding common stock. However, there is no assurance that the Company will be able to successfully consummate an acquisition or merger with a private operating

Edgar Filing: NEVSTAR CORP - Form 10-Q

company or, if successful, that any acquisition or merger will result in the appreciation of our stockholders' investment in the then outstanding common stock.

The Company remains dependent upon additional external sources of financing; including being dependent upon its management and/or significant stockholders to provide sufficient working capital in excess of the Company's initial capitalization to preserve the integrity of the corporate entity.

The Company anticipates offering future sales of equity securities. However, there is no assurance that the Company will be able to obtain additional funding through the sales of additional equity securities or, that such funding, if available, will be obtained on terms favorable to or affordable by the Company.

It is the intent of management and significant stockholders to provide sufficient working capital necessary to support and preserve the integrity of the corporate entity. However, no formal commitments or arrangements to advance or loan funds to the Company or repay any such advances or loans exist. There is no legal obligation for either management or significant stockholders to provide additional future funding.

Note D - Summary of Significant Accounting Policies

1. Cash and cash equivalents

For Statement of Cash Flows purposes, the Company considers all cash on hand and in banks, certificates of deposit and other highly-liquid investments with maturities of three months or less, when purchased, to be cash and cash equivalents.

2. Income Taxes

The Company uses the asset and liability method of accounting for income taxes. At December 31, 2005 and 2004, respectively, the deferred tax asset and deferred tax liability accounts, as recorded when material to the financial statements, are entirely the result of temporary differences. Temporary differences represent differences in the recognition of assets and liabilities for tax and financial reporting purposes.

As of December 31, 2005 and 2004, the deferred tax asset related to the Company's net operating loss carryforward is fully reserved. Due to the provisions of Internal Revenue Code Section 338, the Company may have no net operating loss carryforwards available to offset financial statement or tax return taxable income in future periods as a result of a change in control involving 50 percentage points or more of the issued and outstanding securities of the Company.

3. Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net income (loss) available to common shareholders by the weighted-average number of common shares outstanding during the respective period presented in our accompanying financial statements.

Fully diluted earnings (loss) per share is computed similar to basic income (loss) per share except that the denominator is increased to include the number of common stock equivalents (primarily outstanding options and warrants).

Nevstar Corporation
(a development stage enterprise)

Notes to Financial Statements - Continued

Note D - Summary of Significant Accounting Policies - Continued

3. Earnings (loss) per share - continued

Common stock equivalents represent the dilutive effect of the assumed exercise of the outstanding stock options and warrants, using the treasury stock method, at either the beginning of the respective period presented or the date of issuance, whichever is later, and only if the common stock equivalents are considered dilutive based upon the Company's net income (loss) position at the calculation date.

At December 31, 2005 and 2004, and subsequent thereto, the Company had no outstanding common stock equivalents.

The weighted-average number of shares issued and outstanding as reflected in the accompanying financial statements have been adjusted to give effect to the 1-for-300 reverse stock split, as previously disclosed.

Note E - Fair Value of Financial Instruments

The carrying amount of cash, accounts payable and notes payable, as applicable, approximates fair value due to the short term nature of these items and/or the current interest rates payable in relation to current market conditions.

Interest rate risk is the risk that the Company's earnings are subject to fluctuations in interest rates on either investments or on debt and is fully dependent upon the volatility of these rates. The Company does not use derivative instruments to moderate its exposure to interest rate risk, if any.

Financial risk is the risk that the Company's earnings are subject to fluctuations in interest rates or foreign exchange rates and are fully dependent upon the volatility of these rates. The company does not use derivative instruments to moderate its exposure to financial risk, if any.

Note F - Pre-Petition Tax Liabilities

Pre-petition tax liabilities consist of approximately \$120,918 (including accrued interest of approximately \$7,279) to the Nevada Department of Taxation. Pursuant to the Bankruptcy Code and stipulations entered into between the parties and the Company, the amounts will be paid in full, plus interest at 5% in quarterly payments ending September, 2009. Since the Company is in default with regard to its payments, the total pre-petition tax liabilities are presented as current liabilities in the accompanying balance sheet as of December 31, 2005.

During the quarter ended December 31, 2005, the Company reached a settlement agreement with the Nevada Gaming Commission and paid approximately \$51,220 as a

Edgar Filing: NEVSTAR CORP - Form 10-Q

"settlement in full" on the outstanding debt, resulting in an approximate \$9,985 gain on debt extinguishment.

Note G - Line of Credit Note Payable to Shareholder

The Company has a \$250,000 revolving line of credit with W/F Investment Corp, a company shareholder and key participant of the Company's Plan of Reorganization in the Second Chapter 11 Proceeding. As of December 31, 2005, this Line of Credit has an outstanding balance of approximately \$390,625.

Proceeds from the Line of Credit were used to pay the Company's obligations, including the bankruptcy related allowed administrative expenses, accounting, legal and related expenses. The Line of Credit bears interest at prime plus 2%, payable monthly. The Line of Credit is due October 31, 2007. Accrued interest on the Line of Credit totaled approximately \$70,063 at December 31, 2005.

Because the Company has exceeded it's credit limit and is in default on the payment terms of the accrued interest and because the lender has the right, due to the existence of these defaults, to call the Line of Credit, the balance outstanding is presented as a current liability in the accompanying balance sheet at December 31, 2005.

9

Nevstar Corporation
(a development stage enterprise)

Notes to Financial Statements - Continued

Note H - Income Taxes

The components of income tax (benefit) expense for each of the six month periods ended December 31, 2005 and 2004 is as follows:

	Six months ended December 31, 2005	Six months ended December 31, 2004
	-----	-----
Federal:		
Current	\$ --	\$ --
Deferred	--	--
	-----	-----
	--	--
	-----	-----
State:		
Current	--	--
Deferred	--	--
	-----	-----
	--	--
	-----	-----
Total	\$ --	\$ --
	=====	=====

As a result of a October 28, 2005 change in control, the Company has a limited net operating loss carryforward to offset future taxable income. The amount and

Edgar Filing: NEVSTAR CORP - Form 10-Q

availability of any net operating loss carryforwards may be subject to limitations set forth by the Internal Revenue Code. Factors such as the number of shares ultimately issued within a three year look-back period; whether there is a deemed more than 50 percent change in control involving holders of 5.0% or more of the issued and outstanding shares of common stock; the applicable long-term tax exempt bond rate; continuity of historical business; and subsequent income of the Company all enter into the annual computation of allowable annual utilization of the carryforwards.

The Company's income tax expense (benefit) for each of the six month periods ended December 31, 2005 and 2004, respectively, differed from the statutory federal rate of 34 percent as follows:

	Six months ended December 31, 2005	Six months ended December 31, 2004
	-----	-----
Statutory rate applied to income before income taxes	\$ (9,780)	\$ (10,200)
Increase (decrease) in income taxes resulting from:		
State income taxes	--	--
Other, including reserve for deferred tax asset and application of net operating loss carryforward	9,780	10,200
	-----	-----
Income tax expense	\$ --	\$ --
	=====	=====

The Company's net operating loss carryforward gives rise to a deferred tax asset as of December 31, 2005 and June 30, 2005, respectively. This deferred tax asset has been fully reserved due to the uncertainty of it's ultimate utilization, if any, in future periods.

Note I - Common Stock Transactions

Authorized Shares and Reincorporation

On January 3, 2006, the Company filed an Amendment and Restatement of its Articles of Incorporation with the Secretary of State of the State of Nevada. This Amendment allows for the issuance of up to 150,000,000 shares, consisting of any combination of Common Stock, par value \$0.01 and up to 10,000,000 shares of Preferred Stock, par value \$0.01 per share. Prior to this change, the Company was authorized to issue up to 126,396,000 shares of \$0.01 par value Common Stock and up to 10,000,000 shares of \$0.01 par value Preferred Stock. The effect of this change is reflected in the accompanying financial statements as of the first day of the first period presented.

10

Nevstar Corporation
(a development stage enterprise)

Notes to Financial Statements - Continued

Edgar Filing: NEVSTAR CORP - Form 10-Q

Note I - Common Stock Transactions - Continued

Authorized Shares and Reincorporation - continued

On January 12, 2006, the Company effected a 1-for-300 share reverse stock split of the then issued and outstanding common stock. The reverse stock split did not change the number of authorized shares of common stock or the par value of the Company's common stock. Except for any changes as a result of the treatment of fractional shares, each stockholder holds the same percentage of common stock outstanding immediately following the reverse stock split as such stockholder did immediately prior to the reverse stock split.

This action caused the issued and outstanding shares to decrease from 125,715,008 to approximately 419,436. The effect of this action is reflected in the accompanying financial statements as of the first day of the first period presented.

Stock issuances

On October 11, 2005, the Company sold 250,000 post-reverse split shares of restricted common stock for gross proceeds of \$75,000, pursuant to a subscription agreement, to Halter Financial Investments, L. P., (a Texas Limited Partnership), an entity controlled by Timothy P. Halter, who became the Company's current Chief Executive Officer. The Company relied upon Section 4(2) of The Securities Act of 1933, as amended, for an exemption from registration of these shares and no underwriter was used in this transaction. As a result of this transaction, Halter Financial Investments, L. P. became the Company's controlling stockholder, owning approximately 59.60% of the 419,436 shares currently issued and outstanding.

Note J - Commitments and Contingencies

In connection with the previously mentioned Stock Purchase Agreement and the January 2006 reverse stock split, the Company entered into a Settlement and Stock Issuance Agreement with W/F Investment Corp., a California corporation (W/F Investment), pursuant to which (i) W/F Investment shall forgive the approximately \$460,000, including accrued interest of approximately \$70,000, that was loaned to the Company for purposes of providing the Company with working capital, and in return, the Company will pay W/F Investment \$100,000 and issue 107,000 newly issued, restricted shares of the Company's common stock to W/F Investment. W/F Investment is a secured lender of the Company and a member of W/F Nevstar LLC, a California corporation (W/F Nevstar) and a principal stockholder of the Company. William O. Fleischman, a member and the immediate previous Chairman of our Board of Directors, is the managing member of W/F Nevstar. The foregoing settlement transaction shall be accounted for in the fiscal quarter in which it is completed.

Immediately following the execution of the Settlement and Stock Issuance Agreement described above, the Stock Purchase Agreement calls for HFI and W/F Investment to enter into a Put Option Agreement pursuant to which W/F Investment may require HFI to purchase up to 199,869 shares of the common stock of the Company held by W/F Investment at a price per share of \$2.00 at any time during the period of time (i) commencing 180 days following the execution of the Stock Purchase Agreement and (ii) ending upon the earlier of six months following the Company's completion of a transaction whereby the Company acquires operating control, or substantially all of the assets, of a privately held corporation generating revenues as reported in financial statements audited in conformity

Edgar Filing: NEVSTAR CORP - Form 10-Q

with accounting practices generally accepted in the United States or two years following the execution of the Stock Purchase Agreement.

(Remainder of this page left blank intentionally)

11

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

(1) Caution Regarding Forward-Looking Information

Certain statements contained in this quarterly filing, including, without limitation, statements containing the words "believes", "anticipates", "expects" and words of similar import, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such factors include, among others, the following: international, national and local general economic and market conditions; demographic changes; the ability of the Company to sustain, manage or forecast its growth; the ability of the Company to successfully make and integrate acquisitions; raw material costs and availability; new product development and introduction; existing government regulations and changes in, or the failure to comply with, government regulations; adverse publicity; competition; the loss of significant customers or suppliers; fluctuations and difficulty in forecasting operating results; changes in business strategy or development plans; business disruptions; the ability to attract and retain qualified personnel; the ability to protect technology; and other factors referenced in this and previous filings.

Given these uncertainties, readers of this Form 10-QSB and investors are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

(2) Results of Operations, Liquidity and Capital Resources

Quarters Ended December 31, 2005 and 2004

The Company had no revenue for the respective six or three month periods ended December 31, 2005 and 2004, respectively.

During each of the six month periods ended December 31, 2005 and 2004, the Company recognized general operating expenses of approximately \$19,000 and \$13,600, which were directly related to the Company's compliance with the periodic reporting requirements of the Securities Exchange Act of 1934, as

Edgar Filing: NEVSTAR CORP - Form 10-Q

amended. Further, during the quarter ended December 31, 2005, the Company recognized a one-time gain on forgiveness of debt or approximately \$9,985 related to the settlement and payment in full of the pre-petition tax liability owed to the Nevada Gaming Board.

The Company accrued interest expense on pre-petition tax liabilities and the Line of Credit note payable to W/F Investment Corp totaling approximately \$19,700 and \$16,400 for each of the six month periods ended December 31, 2005 and 2004, respectively.

The Company does not expect to generate any meaningful revenue or incur operating expenses for purposes other than fulfilling the obligations of a reporting company under The Securities Exchange Act of 1934 unless and until such time that the Company's operating subsidiary begins meaningful operations.

At December 31, 2005, the Company had working capital of approximately \$(620,528).

It is the intent of management and significant stockholders to provide sufficient working capital necessary to support and preserve the integrity of the corporate entity. However, there is no legal obligation for either management or significant stockholders to provide additional future funding. Should this pledge fail to provide financing, the Company has not identified any alternative sources. Consequently, there is substantial doubt about the Company's ability to continue as a going concern.

The Company's need for capital may change dramatically as a result of any business acquisition or combination transaction. There can be no assurance that the Company will identify any such business, product, technology or company suitable for acquisition in the future. Further, there can be no assurance that the Company would be successful in consummating any acquisition on favorable terms or that it will be able to profitably manage the business, product, technology or company it acquires.

Plan of Business

General

The Company intends to locate and combine with an existing, privately-held company which is profitable or, in management's view, has growth potential, irrespective of the industry in which it is engaged. However, the Company does

12

not intend to combine with a private company which may be deemed to be an investment company subject to the Investment Company Act of 1940. A combination may be structured as a merger, consolidation, exchange of the Company's common stock for stock or assets or any other form which will result in the combined enterprise's becoming a publicly-held corporation.

Pending negotiation and consummation of a combination, the Company anticipates that it will have, aside from carrying on its search for a combination partner, no business activities, and, thus, will have no source of revenue. Should the Company incur any significant liabilities prior to a combination with a private company, it may not be able to satisfy such liabilities as are incurred.

If the Company's management pursues one or more combination opportunities beyond the preliminary negotiations stage and those negotiations are subsequently

Edgar Filing: NEVSTAR CORP - Form 10-Q

terminated, it is foreseeable that such efforts will exhaust the Company's ability to continue to seek such combination opportunities before any successful combination can be consummated. In that event, the Company's common stock will become worthless and holders of the Company's common stock will receive a nominal distribution, if any, upon the Company's liquidation and dissolution.

Combination Suitability Standards

In its pursuit for a combination partner, the Company's management intends to consider only combination candidates which are profitable or, in management's view, have growth potential. The Company's management does not intend to pursue any combination proposal beyond the preliminary negotiation stage with any combination candidate which does not furnish the Company with audited financial statements for at least its most recent fiscal year and unaudited financial statements for interim periods subsequent to the date of such audited financial statements, or is in a position to provide such financial statements in a timely manner. The Company will, if necessary funds are available, engage attorneys and/or accountants in its efforts to investigate a combination candidate and to consummate a business combination. The Company may require payment of fees by such combination candidate to fund the investigation of such candidate. In the event such a combination candidate is engaged in a high technology business, the Company may also obtain reports from independent organizations of recognized standing covering the technology being developed and/or used by the candidate. The Company's limited financial resources may make the acquisition of such reports difficult or even impossible to obtain and, thus, there can be no assurance that the Company will have sufficient funds to obtain such reports when considering combination proposals or candidates. To the extent the Company is unable to obtain the advice or reports from experts, the risks of any combined enterprise's being unsuccessful will be enhanced. Furthermore, to the knowledge of the Company's officers and directors, neither the candidate nor any of its directors, executive officers, principal stockholders or general partners:

- (1) will have been convicted of securities fraud, mail fraud, tax fraud, embezzlement, bribery, or a similar criminal offense involving misappropriation or theft of funds, or be the subject of a pending investigation or indictment involving any of those offenses;
- (2) will have been subject to a temporary or permanent injunction or restraining order arising from unlawful transactions in securities, whether as issuer, underwriter, broker, dealer, or investment advisor, may be the subject of any pending investigation or a defendant in a pending lawsuit arising from or based upon allegations of unlawful transactions in securities; or
- (3) will have been a defendant in a civil action which resulted in a final judgement against it or him awarding damages or rescission based upon unlawful practices or sales of securities.

The Company's officers and directors will make these determinations by asking pertinent questions of the management of prospective combination candidates. Such persons will also ask pertinent questions of others who may be involved in the combination proceedings. However, the officers and directors of the Company will not generally take other steps to verify independently information obtained in this manner which is favorable. Unless something comes to their attention which puts them on notice of a possible disqualification which is being concealed from them, such persons will rely on information received from the management of the prospective combination candidate and from others who may be involved in the combination proceedings.

Item 3 - Quantitative and Qualitative Disclosures About Market Risk

Edgar Filing: NEVSTAR CORP - Form 10-Q

The Company owns no financial instruments or other assets, nor has it entered into any contracts or commitments, which would expose it to market risks such as interest rate risk, foreign currency exchange rate risk or commodity price risk as required to be disclosed pursuant to Regulation S-K, Item 305, of the Securities Exchange Act of 1934, as amended..

13

Item 4 - Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Security and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Accounting Officer, as appropriate, to allow timely decisions regarding required disclosure. Management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding management's control objectives.

The Company carried out an evaluation, under the supervision and with the participation of its management, including its Chief Executive Officer and Chief Accounting Officer, on the effectiveness of the design and operation of its disclosure controls and procedures pursuant to Exchange Act Rules 13a-15 and 15d-15 as of the end of the period covered by this report. Based upon that evaluation, the Company's Chief Executive Officer and Chief Accounting Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to information relating to the Company required to be included in the Company's Exchange Act reports.

While the Company believes that its existing disclosure controls and procedures have been effective to accomplish their objectives, the Company intends to continue to examine, refine and document its disclosure controls and procedures and to monitor ongoing developments in this area.

(b) Changes in Internal Controls

During the quarter ended December 31, 2005, there were no changes (including corrective actions with regard to significant deficiencies or material weaknesses) in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting as new management made no alterations to the existing internal controls procedures.

Part II - Other Information

Item 1 - Legal Proceedings

None

Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds

Edgar Filing: NEVSTAR CORP - Form 10-Q

On October 11, 2005, the Company sold 250,000 post-reverse split shares of restricted common stock for gross proceeds of \$75,000, pursuant to a subscription agreement, to Halter Financial Investments, L. P., (a Texas Limited Partnership), an entity controlled by Timothy P. Halter, who became the Company's current Chief Executive Officer. The Company relied upon Section 4(2) of The Securities Act of 1933, as amended, for an exemption from registration of these shares and no underwriter was used in this transaction. As a result of this transaction, Halter Financial Investments, L. P. became the Company's controlling stockholder, owning approximately 59.60% of the 419,436 issued and outstanding shares of the Company's common stock.

The \$75,000 in proceeds was used to satisfy the pre-petition debt payable to the Nevada Gaming Commission, retire certain trade accounts payable and pay certain operating expenses of the Company to maintain compliance with the requirements of the Securities Exchange Act of 1934, as amended.

Item 3 - Defaults on Senior Securities

None

Item 4 - Submission of Matters to a Vote of Security Holders

The Company has held no regularly scheduled, called or special meetings of stockholders during the reporting period.

14

Item 5 - Other Information

None

Item 6 - Exhibits

Exhibits

- 31.1 Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002
- 32.1 Certification pursuant to Section 906 of Sarbanes-Oxley Act of 2002.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Nevstar Corporation

Dated: February 21, 2006

/s/ Timothy P. Halter

Timothy P. Halter
President, Chief Executive Officer
Chief Financial Officer and Director

