

GRYPHON GOLD CORP  
Form 8-K  
February 06, 2012

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**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): **February 6, 2012**

**GRYPHON GOLD CORPORATION**

*(Exact name of registrant as specified in its charter)*

**Nevada**  
*(State or other jurisdiction of  
incorporation)*

**333-127635**  
*(Commission File Number)*

**92-0185596**  
*(I.R.S. Employer  
Identification No.)*

**601 N. Nevada Street  
Carson City, Nevada 89703**  
*(Address of principal executive offices) (Zip Code)*

**(604) 261-2229**  
*(Registrant's telephone number, including area code)*

**N/A**  
*(Former name or former address, if changed since last report)*

Check the appropriate box below if the Form 8-K 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 7.01 Regulation FD Disclosure

The Registrant issued a news release filed herewith as Exhibit 99.1.

Item 9.01 Financial Statements and Exhibits.

**ExhibitDescription**

**No.**

99.1 News Release Dated February 6, 2012

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**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.

**GRYPHON GOLD CORPORATION.**  
(Registrant)

Dated: February 6, 2012

By: /s/ John Key  
John Key  
Chief Executive Officer

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x">

Highfields Capital II LP

(12) 1,078,820

(12) 1,078,820

0

0

%

Highfields Capital I LP

(13) 431,525

(13) 431,525

0

0

%

Cumberland Partners

(14)	1,944,234
(14)	1,944,234
	0
%	0

Cumberland Benchmarked Partners, L.P.

(15)	1,260,480
(15)	1,260,480
	0
%	0

Cumber International S.A.

(16)	554,325
(16)	554,325
	0
	0
	4

%

LongView Partners B, L.P.

(17) 437,220

(17) 437,220

0

0

%

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Name	Beneficial Before the Offering	Shares of Common Stock Included in Prospectus	Beneficial Ownership After the Offering	Percentage of Common Stock Owned After the Offering*
Summer Street Cumberland Investors, LLC	185,370(18)	185,370(18)	0	0%
HFR HE Platinum Master Trust	109,290(19)	109,290(19)	0	0%
Cumberland Long Partners, L.P.	4,845(20)	4,845(20)	0	0%
SF Capital Partners Ltd.	3,596,079(21)	3,596,079(21)	0	0%
Sunrise Equity Partners, L.P.	2,647,057(22)	2,647,057(22)	0	0%
CAMOFI Master LDC	1,835,293(23)	1,835,293(23)	0	0%
Whalehaven Capital Fund Limited	1,764,705(24)	1,764,705(24)	0	0%
SDS Capital Group SPC, Ltd.	1,835,293(25)	1,835,293(25)	0	0%
GUNDYCO ITF Excalibur Limited Partnership	1,560,000(26)	1,560,000(26)	0	0%
RHP Master Fund, Ltd.	917,648(27)	917,648(27)	0	0%
Springbok Capital Master Fund, LP	278,754(28)	278,754(28)	0	0%
David Hovey	1,264,215(29)	1,039,215(29)	225,000	.08%
Nite Capital	550,680(30)	550,680(30)	0	0%
AJW Off Shore Ltd.	433,496(31)	433,496(31)	0	0%
Amnon Mandelbaum	352,941(32)	352,941(32)	0	0%
Ethel Marie Grossfeld	367,059(33)	367,059(33)	0	0%
BH Capital Investmets LP	366,600(34)	366,600(34)	0	0%
David M. Lewis	870,000(35)	870,000(35)	0	0%
Richard and Linda Grossfeld as Joint Tenants	275,293(36)	275,293(36)	0	0%
Aaron Foley	225,000(37)	225,000(37)	0	0%
AJW Qualified Partners, LLC	209,222(38)	209,222(38)	0	0%



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Name	Beneficial Before the Offering	Shares of Common Stock Included in Prospectus	Beneficial Ownership After the Offering	Percentage of Common Stock Owned After the Offering*
Gloria Kassin	190,587(39)	190,587(39)	0	0%
Thomas Heinlein	1,090,500(40)	1,090,500(40)	0	0%
Francis X. Colannino	150,000(41)	150,000(41)	0	0%
DCM Limited	40,945(42)	40,945(42)	0	0%
AS Capital Partners, LLC	93,600(43)	93,600(43)	0	0%
Bruce L. Lewis	190,000(44)	190,000(44)	0	0%
Marilyn Adler	88,234(45)	88,234(45)	0	0%
David Goodfriend	88,234(46)	88,234(46)	0	0%
AJW Partners LLC	81,486(47)	81,486(47)	0	0%
Jeffrey Grossfeld	36,705(48)	36,705(48)	0	0%
Kevin Grossfeld	36,705(49)	36,705(49)	0	0%
Michael P. Murphy	23,400(50)	23,400(50)	0	0%
New Millenium Capital Partners II, LLC	9,909(51)	9,909(51)	0	0%
Aaron Leiben	1,093,333	1,093,333	0	0%
Dynamis Energy Fund L.P.	637,500(52)	637,500(52)	0	0%
REF Securities & Co.	333,333(53)	333,333(53)	0	0%
John S. Lemak	250,000	250,000	0	0%
Keith Bolognese	166,666	166,666	0	0%
Philippe Allain	150,000	150,000	0	0%
Arthur Veytsman	150,000	150,000	0	0%
Michael Karp	108,333	108,333	0	0%
David S. Cannizzo	83,333	83,333	0	0%

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Dynamis Energy Fund Ltd.	75,000(54)	75,000(54)	0	0%
Stuart Fox	66,666	66,666	0	0%
David DiRicco (55)	182,291(55)	182,291(55)	0	0%

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Name	Beneficial Before the Offering	Shares of Common Stock Included in Prospectus	Beneficial Ownership After the Offering	Percentage of Common Stock Owned After the Offering*
Mark Mamolen	11,628,175	11,628,175	0	0%
Gillette Lee Chukat and/or Annette M. Radkowsky	10,989,543	10,989,543	0	0%
Thunder Investors, LLC	24,150,825(56)	24,150,825(56)	0	0%
Russell Nichols	70,000	70,000	0	0%
Scott Renninger	250,000	250,000	0	0%
Richard P. Howard	1,000,000	1,000,000	0	0%
George Weiss Associates Profit Sharing Plan; George Weiss Associates, Inc. Profit Sharing Plan	666,667(57)	666,667(57)	0	0%
David Karp	184,166	106,666	77,500	0.03%
Kenneth M. Ferjo	85,000	85,000	0	0%
Sarah V. Carrasco	10,000	10,000	0	0%
Douglas M. Jones	20,000	20,000	0	0%
Richard J. Tijaden	40,000	40,000	0	0%
Pactrans Limited LLC	10,000(58)	10,000(58)	0	0%
Thomas B. Nelis	15,000	15,000	0	0%
Mel W. Ortner	10,000	10,000	0	0%
J.F. Miller Sales Company	35,000(59)	35,000(59)	0	0%
John E. Kiesel	200,000	200,000	0	0%
Sean Mulhearn	116,666	116,666	0	0%
Seth M. Shaw	2,376,666	133,333	2,235,000	0.82%
Gary S. Wade	15,000	15,000	0	0%
Raj Pamnani	107,500(60)	107,500(60)		

Possible Liquidated Damages	1,099,795(61)	1,099,795(61)	N/A	N/A
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<b>TOTAL SHARES BEING REGISTERED</b>	<b>112,544,149</b>			
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\* Assumes that all of the May 4 Warrants have been exercised and sold.

- ( 1 ) Includes 4,950,000 shares of common stock issuable upon exercise of the May 4 Warrants. Magnetar Financial LLC is the investment advisor of Magnetar Capital Master Fund, Ltd. (“Magnetar Master Fund”) and consequently has voting control and investment discretion over securities held by Magnetar Master Fund. Magnetar Financial LLC disclaims beneficial ownership of the shares held by Magnetar Master Fund. Alec Litowitz has voting control over Supernova Management LLC, the general partner of Magnetar Capital Partners LP, the sole managing member of Magnetar Financial LLC. As a result, Mr. Litowitz may be considered the beneficial owner of any shares deemed to be beneficially owed by Magnetar Financial LLC. Mr. Litowitz disclaims beneficial ownership of these shares.
- ( 2 ) Includes 863,650 shares of common stock issuable upon exercise of the May 4 Warrants. Wellington Management Company, LLP (“Wellington”) is an investment adviser registered under the Investment Advisers Act of 1940, as amended. Wellington, in such capacity, may be deemed to share beneficial ownership over the shares held by its client accounts.
- ( 3 ) Includes 861,550 shares of common stock issuable upon exercise of the May 4 Warrants. Wellington Management Company, LLP (“Wellington”) is an investment adviser registered under the Investment Advisers Act of 1940, as amended. Wellington, in such capacity, may be deemed to share beneficial ownership over the shares held by its client accounts.
- ( 4 ) Includes 420,400 shares of common stock issuable upon exercise of the May 4 Warrants. Wellington Management Company, LLP (“Wellington”) is an investment adviser registered under the Investment Advisers Act of 1940, as amended. Wellington, in such capacity, may be deemed to share beneficial ownership over the shares held by its client accounts.
- ( 5 ) Includes 392,400 shares of common stock issuable upon exercise of the May 4 Warrants. Wellington Management Company, LLP (“Wellington”) is an investment adviser registered under the Investment Advisers Act of 1940, as amended. Wellington, in such capacity, may be deemed to share beneficial ownership over the shares held by its client accounts.
- ( 6 ) Includes 226,000 shares of common stock issuable upon exercise of the May 4 Warrants. Wellington Management Company, LLP (“Wellington”) is an investment adviser registered under the Investment Advisers Act of 1940, as amended. Wellington, in such capacity, may be deemed to share beneficial ownership over the shares held by its client accounts.
- ( 7 ) Includes 204,900 shares of common stock issuable upon exercise of the May 4 Warrants. Wellington Management Company, LLP (“Wellington”) is an investment adviser registered under the Investment Advisers Act of 1940, as amended. Wellington, in such capacity, may be deemed to share beneficial ownership over the shares held by its client accounts.
- ( 8 ) Includes 198,200 shares of common stock issuable upon exercise of the May 4 Warrants. Wellington Management Company, LLP (“Wellington”) is an investment adviser registered under the Investment Advisers Act of 1940, as amended. Wellington, in such capacity, may be deemed to share beneficial ownership over the shares held by its client accounts.
- ( 9 ) Includes 187,500 shares of common stock issuable upon exercise of the May 4 Warrants. Wellington Management Company, LLP (“Wellington”) is an investment adviser registered under the Investment Advisers Act of 1940, as amended. Wellington, in such capacity, may be deemed to share beneficial ownership over the shares held by its client accounts.
- (10) Includes 174,735 shares of common stock issuable upon exercise of the May 4 Warrants. Wellington Management Company, LLP (“Wellington”) is an investment adviser registered under the Investment Advisers Act of 1940, as amended. Wellington, in such capacity, may be deemed to share beneficial ownership over the shares held by its client accounts.
- (11) Includes 1,270,590 shares of common stock issuable upon exercise of the May 4 Warrants. Highfields Associates LLC is the General Partner of Highfields Capital III LP.; Jonathan S. Jacobson and Richard L. Grubmann are senior managing members of Highfields LLC and they have voting and/or investment control over the Thorium Power securities held by Highlands Capital Ltd.
- (12) Includes 352,940 shares of common stock issuable upon exercise of the May 4 Warrants. Highfields Associates LLC is the General Partner of Highfields Capital II LP; Jonathan S. Jacobson and Richard L. Grubmann are

- senior managing members of Highfields LLC and they have voting and/or investment control over the Thorium Power securities held by Highlands Capital II LP.
- (13) Includes 141,175 shares of common stock issuable upon exercise of the May 4 Warrants. Highfields Associates LLC is the General Partner of Highfields Capital I LP; Jonathan S. Jacobson and Richard L. Grubmann are senior managing members of Highfields LLC and they have voting and/or investment control over the Thorium Power securities held by Highlands Capital I LP.
  - (14) Includes 620,078 shares of common stock issuable upon exercise of the May 4 Warrants. Bruce Wilcox, Andrew Wallach, Gary Tynes and Brad Gendell have voting and/or investment control over the Thorium Power securities owned by Cumberland Partners.
  - (15) Includes 420,160 shares of common stock issuable upon exercise of the May 4 Warrants. Bruce Wilcox, Andrew Wallach, Gary Tynes and Brad Gendell have voting and/or investment control over the Thorium Power securities owned by Cumberland Benchmarked Partners, L.P.
  - (16) Includes 184,775 shares of common stock issuable upon exercise of the May 4 Warrants. Bruce Wilcox, Andrew Wallach, Gary Tynes and Brad Gendell have voting and/or investment control over the Thorium Power securities owned by Cumber International S.A.
  - (17) Includes 145,740 shares of common stock issuable upon exercise of the May 4 Warrants. Bruce Wilcox, Andrew Wallach, Gary Tynes and Brad Gendell have voting and/or investment control over the Thorium Power securities owned by Long View Partners B, L.P.
  - (18) Includes 61,790 shares of common stock issuable upon exercise of the May 4 Warrants. Bruce Wilcox, Andrew Wallach, Gary Tynes and Brad Gendell have voting and/or investment control over the Thorium Power securities owned by Summer Street Cumberland Investors, LLC.
  - (19) Includes 36,430 shares of common stock issuable upon exercise of the May 4 Warrants. Bruce Wilcox, Andrew Wallach, Gary Tynes and Brad Gendell have voting and/or investment control over the Thorium Power securities owned by HFR HE Platinum Master Trust.

- (20) Includes 1,615 shares of common stock issuable upon exercise of the May 4 Warrants. Bruce Wilcox, Andrew Wallach, Gary Tynes and Brad Gendell have voting and/or investment control over the Thorium Power securities owned by Cumberland Long Partners, L.P.
- (21) Includes 1,176,471 shares of common stock issuable upon exercise of the May 4 Warrants. Michael A. Roth and Brian J. Stark exercise voting and investment control over the Thorium Power securities owned by SF Capital Partners Ltd. Messrs. Roth and Stark disclaim beneficial ownership of such securities. SF Capital Partners Ltd. is an affiliate of Reliant Trading LLC, which is an NASD registered broker dealer.
- (22) Includes 882,352 shares of common stock issuable upon exercise of the May 4 Warrants. Level Counter, LLC is the General Partner of Sunrise Equity Partners, L.P. The unanimous vote of Nathan Low, Marilyn Adler and Amnon Mandelbaum have voting control of Level Counter, LLC. Each of these individuals is a registered broker-dealer.
- (23) Includes 611,764 shares of common stock issuable upon exercise of the May 4 Warrants. Richard Smithline has voting and/or investment control over the Thorium Power securities held by CAMOFI Master LDC. Mr. Smithline disclaims beneficial ownership of these securities.
- (24) Includes 588,235 shares of common stock issuable upon exercise of the May 4 Warrants. Michael Finkelstein maintains voting power and investment control over the securities held by Whalehaven Capital Fund Limited. Mr. Finkelstein disclaims beneficial ownership of these securities.
- (25) Includes 611,764 shares of common stock issuable upon exercise of the May 4 Warrants. Steve Derby maintains voting and/or investment control over the Thorium Power securities held by SDS Capital Group SPC, Ltd. Mr. Derby disclaims beneficial ownership of the securities except to the extent, if any, of his pecuniary interest.
- (26) Includes 520,000 shares of common stock issuable upon exercise of the May 4 Warrants. Excalibur Capital Management Inc. is the General Partner of GUNDYCO ITF Excalibur LP. William Hechter, president of Excalibur Management Inc. has voting and/or investment control over the Thorium Power securities held by Excalibur LP.
- (27) Includes 305,883 shares of common stock issuable upon exercise of the May 4 Warrants. RHP Master Fund, Ltd. is a party to an investment management agreement with Rock Hill Investment Management LP, a limited partnership of which the general partner is RHP General Partner LLC. Pursuant to such agreement, Rock Hill Investment Management directs the voting and disposition of shares owned by RHP Master Fund. Messrs. Wayne Bloch and Peter Lockhart own all of the interests in RHP General Partner. The aforementioned entities and individuals disclaim beneficial ownership of the Thorium Power securities owned by the RHP Master Fund.
- (28) Includes 262,088 shares of common stock issuable upon exercise of the May 4 Warrants. Gavin Saitowitz and Trevor E. Cohen, Managing Members of Springbok Capital Management, LLC, the investment manager of Springbok Capital Master Fund, LP have voting power and investment control over the securities held by Springbok Capital Master Fund, LP.
- (29) Includes 235,294 shares of common stock issuable upon exercise of the May 4 Warrants.
- (30) Includes 183,560 shares of common stock issuable upon exercise of the May 4 Warrants. Keith Goodman, Manager and Partner of Nite Capital, has voting power and investment control over the securities held by Nite Capital. Mr. Goodman disclaims beneficial ownership of these securities.
- (31) Includes 138,941 shares of common stock issuable upon exercise of the May 4 Warrants. AJW Offshore, Ltd., formerly known as AJW/New Millennium Offshore, Ltd., is a private investment fund that is owned by its investors and managed by First Street Manager II, LLC. First Street Manager II, LLC, of which Corey S. Ribotsky is the fund manager, has voting and investment control over the Thorium Power securities held by AJW Offshore Ltd.
- (32) Includes 117,647 shares of common stock issuable upon exercise of the May 4 Warrants. Amnon Mandelbaum is a registered broker-dealer.
- (33) Includes 123,205 shares of common stock issuable upon exercise of the May 4 Warrants.
- (34) Includes 122,200 shares of common stock issuable upon exercise of the May 4 Warrants. Henry Branchfield has voting and/or investment control over the Thorium Power securities held by BH Capital Investments LP.
- (35) Includes 90,000 shares of common stock issuable upon exercise of the May 4 Warrants. David Lewis is a registered broker-dealer.

- (36) Includes 91,764 shares of common stock issuable upon exercise of the May 4 Warrants.
- (37) Includes 75,000 shares of common stock issuable upon exercise of the May 4 Warrants. Aaron Foley is a registered broker-dealer.
- (38) Includes 69,740 shares of common stock issuable upon exercise of the May 4 Warrants. AJW Qualified Partners, LLC, formerly known as Pegasus Capital Partners, LLC, is a private investment fund that is owned by its investors and managed by MW Manager, LLC, of which Corey S. Ribotsky is the fund manager, has voting and investment control over the Thorium Power securities owned by MW Qualified Partners, LLC.
- (39) Includes 63,529 shares of common stock issuable upon exercise of the May 4 Warrants.
- (40) Includes 63,500 shares of common stock issuable upon exercise of the May 4 Warrants.
- (41) Includes 50,000 shares of common stock issuable upon exercise of the May 4 Warrants.
- (42) Includes 39,428 shares of common stock issuable upon exercise of the May 4 Warrants. Gavin Saitowitz and Trevor E. Cohen, Managing Members of Springbok Capital Management, LLC, the investment manager of DCM Limited, have voting power and investment control over the securities held by DCM Limited.
- (43) Includes 31,200 shares of common stock issuable upon exercise of the May 4 Warrants. Andrew Smukler has voting power and investment control over the securities held by AS Capital Partners, LLC. Mr. Smukler disclaims beneficial ownership of these securities. Additionally, Mr. Smukler is Managing Member of JAS Securities, LLC, a registered broker-dealer.

- (44) Includes 30,000 shares of common stock issuable upon exercise of the May 4 Warrants. Bruce Lewis is a registered broker-dealer.
- (45) Includes 29,411 shares of common stock issuable upon exercise of the May 4 Warrants. Marilyn Adler is a registered broker-dealer.
- (46) Includes 29,411 shares of common stock issuable upon exercise of the May 4 Warrants. David Goodfriend is a registered broker-dealer.
- (47) Includes 27,162 shares of common stock issuable upon exercise of the May 4 Warrants. AJW Partners, LLC is a private investment fund that is owned by its investors and managed by SMS Group, LLC. SMS Group, LLC, of which Mr. Corey S. Ribotsky is the fund manager, has voting and investment control over the Thorium Power securities owned by MW Partners, LLC.
- (48) Includes 12,235 shares of common stock issuable upon exercise of the May 4 Warrants.
- (49) Includes 12,235 shares of common stock issuable upon exercise of the May 4 Warrants.
- (50) Includes 7,800 shares of common stock issuable upon exercise of the May 4 Warrants.
- (51) Includes 3,303 shares of common stock issuable upon exercise of the May 4 Warrants. New Millennium Capital Partners II, LLC, is a private investment fund that is owned by its investors and managed by First Street Manager II, LLC. First Street Manager II, LLC, of which Corey S. Ribotsky is the fund manager, has voting and investment control over the Thorium Power securities owned by New Millennium Capital Partners II, LLC.
- (52) Dynamis Advisors LLC is the General Partner of Dynamis Energy Fund LP, with Alexander H. Bocoock, John H. Bocoock, Frederic S. Bocoock as the managing members. These members have voting power and investment control over the securities held by Dynamis Energy Fund LP.
- (53) Rodd Friedman has voting and/or investment control over the Thorium Power securities held by REF Securities & Co.
- (54) Dynamis Advisors LLC is the General Partner of Dynamis Energy Fund Ltd, with Alexander H. Bocoock, John H. Bocoock, Frederic S. Bocoock as the managing members. These members have voting power and investment control over the securities held by Dynamis Energy Fund Ltd.
- (55) David DiRicco was formerly a consultant to the Company assisting with investor relations.
- (56) Thomas Dykster, President of N. Pritzker Capital Management, has voting power and investment control over the securities held by Thunder Investors.
- (57) George Weiss has voting power and investment control over the securities held by the George Weiss Associates Profit Sharing Plan; George Weiss Associates, Inc. Profit Sharing Plan. Mr. Weiss disclaims beneficial ownership of these securities. Additionally, Weiss Investment Management Services LLC, an affiliate of George Weiss Associates, Inc., is a registered broker-dealer.
- (58) Howard Yamata, Manager of Pactrans Limited LLC (“Pactrans”), has voting and investment control over the Thorium Power securities held by Pactrans.
- (59) John F. Miller, President of J.F. Miller Sales Company, has voting power and investment control over the securities held by J.F. Miller Sales Company.
- (60) Issued to settle a claim my Raj Pamnani that he had a consulting agreement with the Company and was owed money pursuant to such agreement. All 107,500 shares included in this prospectus are shares of common stock issuable upon the exercise of warrants granted to Mr. Pamnani.
- (61) Includes 363,859 shares of common stock underlying common stock purchase warrants, all of which represents the current number of shares that may be issued pursuant to the liquidated damages provisions of a registration rights agreement entered into in conjunction with the May 4, 2006 private placement.

## DESCRIPTION OF SECURITIES

### **GENERAL**

Thorium Power’s authorized capital stock consists of 500,000,000 shares of common stock, par value \$0.001 per share, and 50,000,000 shares of preferred stock, par value \$0.001 per share. As of September 12, 2007, we had 297,915,650 shares of common stock issued and outstanding and no shares of preferred stock issued and outstanding.

***COMMON STOCK***

The holders of the common stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders. Accordingly, holders of a majority of the shares of common stock entitled to vote in any election of directors may elect all of the directors standing for election. Holders of common stock are entitled to receive ratably such dividends as may be declared by the Board out of funds legally available therefor. In the event of the Company's liquidation, dissolution or winding up, holders of common stock are entitled to share ratably in the assets remaining after payment of liabilities. Holders of common stock have no preemptive, conversion or redemption rights. All of the outstanding shares of common stock are fully-paid and nonassessable.

## **PREFERRED STOCK**

Our board of directors may, without stockholder approval, establish and issue shares of one or more classes or series of preferred stock having the designations, number of shares, dividend rates, liquidation preferences, redemption provisions, sinking fund provisions, conversion rights, voting rights and other rights, preferences and limitations that our Board may determine. The Board may authorize the issuance of preferred stock with voting, conversion and economic rights senior to the common stock so that the issuance of preferred stock could adversely affect the market value of the common stock. The creation of one or more series of preferred stock may adversely affect the voting power or other rights of the holders of common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things and under some circumstances, have the effect of delaying, deferring or preventing a change in control without any action by stockholders.

No other classes of preferred stock are outstanding.

Our transfer agent and registrar for our common stock is Computershare Investor Services, 350 Indiana Street, Suite 800, Golden, Colorado, 80401. Its telephone number is 303.262.0600 and facsimile is 303.262.0632.

## **SHARES ELIGIBLE FOR FUTURE SALE**

As of September 12, 2007, we had 297,915,650 shares of common stock issued and outstanding and no shares of preferred stock issued and outstanding.

### **Shares Covered by this Prospectus**

All of the 112,544,149 shares being registered in this offering may be sold without restriction under the Securities Act of 1933.

### **Rule 144**

The resale of shares that are held by our affiliates and the resale of shares that are held by non-affiliates for a period of less than two years are governed by the following requirements of Rule 144 of the Securities Act.

In general, under Rule 144 as currently in effect, a person (or persons whose shares are aggregated) who has beneficially owned shares of our common stock for at least one year, including any person who may be deemed to be an "affiliate" (as the term "affiliate" is defined under the Securities Act of 1933), would be entitled to sell, within any three-month period, a number of shares that does not exceed the greater of:

- 1% of the number of shares of common stock outstanding as of September 12, 2007 was 2,979,156; or
- the average weekly trading volume of our common stock during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Sales under Rule 144 are also governed by other requirements regarding the manner of sale, notice filing and the availability of current public information about us. Under Rule 144, however, a person who is not, and for the three months prior to the sale of such shares has not been, an affiliate of the issuer is free to sell shares that are "restricted securities" which have been held for at least two years without regard to the limitations contained in Rule 144. The selling shareholders will not be governed by the foregoing restrictions when selling their shares pursuant to this prospectus.

A total of 44,564,338 of our outstanding shares may currently be sold in reliance on Rule 144.

**Rule 144(k)**

Under Rule 144(k), a person who is not deemed to have been one of our affiliates at any time during the three months preceding a sale, and who has beneficially owned the shares proposed to be sold for at least two years, including the holding period of any prior owner other than an affiliate, is entitled to sell such shares without complying with the manner of sale, notice filing, volume limitation or notice provisions of Rule 144.

A total of 15,192,857 of our outstanding shares may currently be sold in reliance on Rule 144(k).

## PLAN OF DISTRIBUTION

The selling stockholders, which as used herein includes donees, pledgees, transferees or other successors-in-interest selling shares of common stock or interests in shares of common stock received after the date of this prospectus from a selling stockholder as a gift, pledge, partnership distribution or other transfer, may, from time to time, sell, transfer or otherwise dispose of any or all of their shares of common stock or interests in shares of common stock on any stock exchange, market or trading facility on which the shares are traded or in private transactions. These dispositions may be at fixed prices, at prevailing market prices at the time of sale, at prices related to the prevailing market price, at varying prices determined at the time of sale, or at negotiated prices.

The selling stockholders may use any one or more of the following methods when disposing of shares or interests therein:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the shares as agent, but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- short sales effected after the date the registration statement of which this Prospectus is a part is declared effective by the SEC;
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;
- broker-dealers may agree with the selling stockholders to sell a specified number of such shares at a stipulated price per share;
- a combination of any such methods of sale; and
- any other means permitted by applicable law.

The selling stockholders may, from time to time, pledge or grant a security interest in some or all of the shares of common stock owned by them and, if they default in the performance of their secured obligations, the pledgees or secured parties may offer and sell the shares of common stock, from time to time, under this prospectus, or under an amendment to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act amending the list of selling stockholders to include the pledgee, transferee or other successors in interest as selling stockholders under this prospectus. The selling stockholders also may transfer the shares of common stock in other circumstances, in which case the transferees, pledgees or other successors in interest will be the selling beneficial owners for purposes of this prospectus.

In connection with the sale of our common stock or interests therein, the selling stockholders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the common stock in the course of hedging the positions they assume. The selling stockholders may also sell shares of our common stock short and deliver these securities to close out their short positions, or loan or pledge the common stock to

broker-dealers that in turn may sell these securities. The selling stockholders may also enter into option or other transactions with broker-dealers or other financial institutions or the creation of one or more derivative securities which require the delivery to such broker-dealer or other financial institution of shares offered by this prospectus, which shares such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The aggregate proceeds to the selling stockholders from the sale of the common stock offered by them will be the purchase price of the common stock less discounts or commissions, if any. Each of the selling stockholders reserves the right to accept and, together with their agents from time to time, to reject, in whole or in part, any proposed purchase of common stock to be made directly or through agents. We will not receive any of the proceeds from this offering.

Broker-dealers engaged by the selling stockholders may arrange for other broker-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the selling stockholders (or, if any broker-dealer acts as agent for the purchase of shares, from the purchaser) in amounts to be negotiated. The selling stockholders do not expect these commissions and discounts to exceed what is customary in the types of transactions involved.

The selling stockholders also may resell all or a portion of the shares in open market transactions in reliance upon Rule 144 under the Securities Act of 1933, provided that they meet the criteria and conform to the requirements of that rule.

The selling stockholders and any underwriters, broker-dealers or agents that participate in the sale of the common stock or interests therein may be “underwriters” within the meaning of Section 2(11) of the Securities Act. Any discounts, commissions, concessions or profit they earn on any resale of the shares may be underwriting discounts and commissions under the Securities Act. Selling stockholders who are “underwriters” within the meaning of Section 2(11) of the Securities Act will be subject to the prospectus delivery requirements of the Securities Act. We know of no existing arrangements between any of the selling stockholders and any other stockholder, broker, dealer, underwriter, or agent relating to the sale or distribution of the shares, nor can we presently estimate the amount, if any, of such compensation. See “Selling Stockholders” for description of any material relationship that a stockholder has with us and the description of such relationship.

To the extent required, the shares of our common stock to be sold, the names of the selling stockholders, the respective purchase prices and public offering prices, the names of any agents, dealer or underwriter, any applicable commissions or discounts with respect to a particular offer will be set forth in an accompanying prospectus supplement or, if appropriate, a post-effective amendment to the registration statement that includes this prospectus.

In order to comply with the securities laws of some states, if applicable, the common stock may be sold in these jurisdictions only through registered or licensed brokers or dealers. In addition, in some states the common stock may not be sold unless it has been registered or qualified for sale or an exemption from registration or qualification requirements is available and is complied with.

We have advised the selling stockholders that the anti-manipulation rules of Regulation M under the Exchange Act may apply to sales of shares in the market and to the activities of the selling stockholders and their affiliates. In addition, we will make copies of this prospectus (as it may be supplemented or amended from time to time) available to the selling stockholders for the purpose of satisfying the prospectus delivery requirements of the Securities Act. The selling stockholders may indemnify any broker-dealer that participates in transactions involving the sale of the shares against certain liabilities, including liabilities arising under the Securities Act.

We have agreed to pay certain fees and expenses incurred by us incident to the registration of the shares. We have agreed to indemnify the selling stockholders against liabilities, including liabilities under the Securities Act and state securities laws, relating to the registration of the shares offered by this prospectus.

We have agreed with the selling stockholders to keep the registration statement of which this prospectus constitutes a part effective until the earlier of (1) such time as all of the shares covered by this prospectus have been disposed of pursuant to and in accordance with the registration statement or (2) the date on which the shares may be sold pursuant to Rule 144(k) of the Securities Act.

## LEGAL MATTERS

The validity of the common stock offered by this prospectus will be passed upon for us by Thelen Reid Brown Raysman & Steiner LLP.

**EXPERTS**

Our financial statements for the years ending December 31, 2006 and 2005 appearing in this prospectus have been audited by the accounting firm of Child, Van Wagoner & Bradshaw, PLLC, independent registered public accounting firm, 5296 South Commerce Drive, Suite 300, Salt Lake City, Utah 84107. Our financial statements are included in this Prospectus in reliance upon the said report, given upon such firms' authority as experts in auditing and accounting.

**WHERE YOU CAN FIND MORE INFORMATION**

We have filed with the Securities and Exchange Commission, or SEC, a registration statement on Form SB-2 under the Securities Act with respect to the common stock offered in this offering. This prospectus does not contain all of the information set forth in the registration statement. For further information with respect to us and the common stock offered in this offering, we refer you to the registration statement and to the attached exhibits. With respect to each such document filed as an exhibit to the registration statement, we refer you to the exhibit for a more complete description of the matters involved.

You may inspect our registration statement and the attached exhibits and schedules without charge at the Public Reference Room maintained by the Securities and Exchange Commission at 100 F Street, N.E. Room 1580, Washington, DC 20549. You may obtain copies of all or any part of our registration statement from the SEC upon payment of prescribed fees. You may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330.

Our SEC filings, including the registration statement and the exhibits filed with the registration statement, are also available from the SEC's website at [www.sec.gov](http://www.sec.gov), which contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

**THORIUM POWER, LTD**

**FINANCIAL STATEMENTS**

The following financial statements listed below are included with this prospectus. These financial statements have been prepared on the basis of accounting principles generally accepted in the United States and are expressed in U.S. dollars.

**Unaudited Condensed Consolidated Financial Statements for the Six Months Ended June 30, 2007**

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**Audited Consolidated Financial Statements for the Years Ended December 31, 2006 and 2005**

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**THORIUM POWER, LTD**  
**UNAUDITED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2007**

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**Thorium Power, Ltd.**  
**(A Development Stage Company)**  
**Consolidated Balance Sheets**

	(Unaudited) June 30, 2007	(Audited) December 31 2006
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 7,674,955	\$ 10,927,775
Prepaid expenses & other current assets	106,667	394,443
<b>Total Current Assets</b>	<b>7,781,622</b>	<b>11,322,218</b>
Property Plant and Equipment -net	17,148	21,290
<b>Other Assets</b>		
Patent costs - net	217,875	217,875
Security deposits	2,049	2,049
<b>Total Other Assets</b>	<b>219,924</b>	<b>219,924</b>
<b>Total Assets</b>	<b>\$ 8,018,694</b>	<b>\$ 11,563,432</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Current portion long term debt	\$ 4,516	\$ 4,739
Accounts payable and accrued liabilities	571,999	1,121,083
Other current liabilities	0	347,690
Warrant liability	0	1,132,440
<b>Total Current Liabilities</b>	<b>576,515</b>	<b>2,605,952</b>
Notes Payable - long term	8,142	10,433
<b>Total Liabilities</b>	<b>584,656</b>	<b>2,616,385</b>
Commitments and contingencies - note 9		
<b>Common Stock with Registration Rights</b>		
Common Stock subject to continuing registration, \$0.001 par value, 36,659,837 shares issued and outstanding at December 31, 2006 - note 6	0	12,041,373
<b>Stockholders' Equity (Deficiency)</b>		
Preferred stock, \$0.001 par value, 50,000,000 authorized shares, no shares issued and outstanding	0	0
Common stock, \$0.001par value, 500,000,000 authorized, 297,945,650 shares issued and 297,095,650 shares outstanding at June 30, 2007 and 257,292,000 shares outstanding at December 31, 2005	297,946	257,292
Additional paid in capital - stock and stock equivalents	39,754,503	23,148,560

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Deficit accumulated during the development stage	(32,423,591)	(27,177,989)
Common stock reserved for issuance, 1,000,000 shares at June 30, 2007 and 4,000,000 shares at December 31, 2006	350,000	1,200,000
Accumulated other comprehensive income	19,518	18,861
Deferred stock compensation	(308,489)	(285,200)
Treasury stock - 850,000 shares	(255,850)	(255,850)
<b>Total Stockholders' Equity (Deficiency)</b>	<b>7,434,038</b>	<b>(3,094,326)</b>
<b>Total Liabilities and Stockholders' Equity (Deficiency)</b>	<b>\$ 8,018,694</b>	<b>\$ 11,563,432</b>

**The accompanying notes are an integral part of these consolidated financial statements**

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**Thorium Power, Ltd.**  
**(A Development Stage Company)**  
**Consolidated Statements of Operations and Comprehensive Loss**  
**(Unaudited)**

	Six Months Ended June 30,		Three Months Ended June 30,		Cumulative Period from January 8, 1992 (Inception) to June 30, 2007
	2007	2006	2007	2006	2007
Revenue:	\$	\$	\$	\$	\$
License revenue	0	0	0	0	624,985
Total Revenue	0	0	0	0	624,985
<b>Operating Expenses</b>					
General and administrative	2,793,733	346,795	1,265,340	15,822	15,974,363
Research and development expenses	155,471	10,000	129,402	10,000	4,055,960
Stock-based compensation	2,454,734	0	1,119,217	0	13,816,351
Total Operating Loss	5,403,938	356,795	2,513,959	25,822	33,221,689
<b>Other (Income) and Expenses</b>					
Gain on fair value of warrant derivatives	0	0	0	0	(1,902,286)
Other income/expense	(216,936)	5,553	(104,350)	4,687	(363,765)
Stock settlement expense	37,160	0	37,160	0	129,420
Registration right expense	21,440	0	21,440	0	375,146
Warrant expense	0	0	0	0	963,387
Contribution	0	550,000	0	550,000	0
Total Other Income and Expenses	(158,336)	555,553	(45,750)	554,687	(798,098)
Net Loss	5,245,602	912,348	2,468,209	580,509	\$ 32,423,591
<b>Other Comprehensive Income (Loss)</b>					
Unrealized Gain Marketable Securities	657	0	(8,063)	0	
Total Comprehensive Loss	\$ 5,246,259	\$ 912,348	\$ 2,476,272	\$ 580,509	
Net Loss Per Common Share, Basic and diluted	\$ 0.02	\$ 0.01	\$ 0.01	\$ 0.01	
Weighted Average Number of shares outstanding for the period used to compute per share data	295,979,377	113,079,179	296,784,409	115,718,996	

**The accompanying notes are an integral part of these consolidated financial statements**

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**Thorium Power, Ltd.**  
**(A Development Stage Company)**  
**Consolidated Statements of Cash Flows**  
**(Unaudited)**

	6 Months Ended		Cumulative amounts January 8, 1992 (Inception) to June 30, 2007
	2007	June 30, 2006	
<b>Operating Activities</b>			
Net Loss for the period	\$ (5,245,602)	\$ (912,348)	\$ (32,423,591)
Adjustments to reconcile net loss from operations to net cash used in operating activities:			
Shares issued for other than cash for payment of expenses	2,645,051	0	14,094,916
Gain on fair value of warrant liability	0	0	(1,902,286)
Depreciation and Amortization	4,142	12,926	361,353
Gain or loss on disposition of assets	0	0	86,855
Warrant Expense	0	0	963,387
Settlement Expense	0	0	92,260
Allocated general and administrative expenses - contributed capital	0	0	290,769
Changes in non-cash operating working capital items:			
Prepaid expenses and other current assets	287,776	5,290	10,717
Accounts payable, accrued liabilities and other current liabilities	(941,672)	(464,814)	79,296
Intercompany receivable	0	(264,741)	0
Other assets	0	0	5,518
Net Cash (Used In) Operating Activities	(3,250,305)	(1,623,687)	(18,340,806)
<b>Investing Activities</b>			
Purchase of equipment	0	(4,682)	(285,145)
Proceeds from the sale of equipment	0	0	13,583
Acquisition of patents	0	(6,664)	(411,669)
Other assets	0	0	(7,567)
Net Cash (Used In) Investing Activities	0	(11,346)	(690,798)
<b>Financing Activities</b>			
Proceeds from Issue of common shares	0	2,193,774	14,498,016
Capitalization of Share Issue costs	0	0	(441,553)
Payments on notes payable and other	(2,515)	(2,383)	12,656
Proceeds of loan - related party	0	0	384,690
Repayment of loan - related party	0	(28,430)	(239,659)
Purchase of treasury stock	0	0	(255,850)
Other	0	0	5,850
Cash acquired in recapitalization of Thorium Power Inc.	0	0	12,742,408
Net Cash Provided By Financing Activities	(2,515)	2,162,961	26,706,558

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Net Increase In Cash and Cash Equivalents	(3,252,820)	527,928	7,674,955
Cash and Cash Equivalents, Beginning Of Period	10,927,775	285	0
Cash and Cash Equivalents, End Of Period	\$ 7,674,955	\$ 528,213	\$ 7,674,955
<b>Supplemental Disclosure of Cash Flow Information</b>			
<b>Cash paid during the year:</b>			
Interest paid	\$ 524	\$ 1,253	\$ 3,493
Income taxes paid	\$ -	\$ -	\$ -
<b>Non-cash transactions</b>			
Conversion of liabilities to equity	\$ 1,410,884	\$ 4,100	\$ 1,514,084

**The accompanying notes are an integral part of these consolidated financial statements**

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**Thorium Power, Ltd.**  
**(A Development Stage Company)**  
**Notes to the Consolidated Financial Statements**

1. BASIS OF PRESENTATION

The unaudited financial information of Thorium Power Ltd. (the “Company”) and subsidiaries furnished herein has been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”) and reflects all adjustments, which in the opinion of management are necessary to fairly state the Company's interim financial position and the results of its operations for the periods presented. Certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted from these statements pursuant to such rules and regulations and, accordingly, this report on Form 10-QSB should be read in conjunction with the Company's financial statements and notes thereto included in the Company's Form 10-KSB for the fiscal year ended December 31, 2006. The Company assumes that the users of the interim financial information herein have read or have access to the audited financial statements for the preceding fiscal year and that the adequacy of additional disclosure needed for a fair presentation may be determined in that context. Accordingly, footnote disclosure, which would substantially duplicate the disclosure contained in the Company's Form 10-KSB for the fiscal year ended December 31, 2006, has been omitted. The results of operations for the six and three-month periods ended June 30, 2007 are not necessarily indicative of results for the entire fiscal year ending December 31, 2007.

2. NATURE OF OPERATIONS AND MERGER WITH THORIUM POWER INC.

Radkowsky Thorium Power Corp., incorporated in the state of Delaware on January 8, 1992 (“Inception”), changed its name to Thorium Power, Inc. in April 2001. Thorium Power, Inc. is engaged in the development, promotion and marketing of its three patented nuclear fuel designs: (1) Thorium/uranium nuclear fuel, (2) Thorium/reactor-grade plutonium disposing fuel, and (3) Thorium/weapons-grade plutonium disposing fuel. These fuels are designed to be used in existing light water reactors. Presently, we are focusing most of our efforts on demonstrating and testing our nuclear fuel technology for the Russian designed VVER-1000 reactors.

Once our reactor fuels are further developed and tested, we plan to license our intellectual property rights to fuel fabricators, nuclear generators, and governments for use in commercial light water nuclear reactors, or sell the technology to a major nuclear company or government contractor or some combination of the two. We anticipate having our technology fully developed for VVER-1000 reactors and our fuel tested in a VVER-1000 operating reactor by the end of 2010. Presently all our research, testing and demonstration activities are being conducted in Russia. Our research operations are subject to various political, economic, and other risks and uncertainties inherent in Russia.

Our nuclear fuel process is dependent on the ability of suppliers of the mineral thorium, to provide it to our future customers on a timely basis and also on favorable pricing terms. The loss of certain principal suppliers of thorium or a significant reduction in thorium availability from principal suppliers could have a material adverse effect on the future operating results of the Company.

We participate in a highly regulated industry that is characterized by governmental regulation. Our results of operations are affected by a wide variety of factors including general economic conditions, decreases in the use or public favor of nuclear power, the ability of our technology, the viability to safeguard the production of nuclear power and safeguarding our patents and intellectual property from competitors. Due to these factors, we may experience substantial period-to-period fluctuations in our future operating results.

Operations to date have been devoted primarily to continued development of our fuel designs, filing for certain patents relating to our technology, developing strategic relationships within the nuclear industry, securing political and some financial support from the United States and Russian governments, and administrative functions. We, therefore, based on our current operations, prepare our accompanying consolidated financial statements as a Development Stage Enterprise.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a) Consolidation

These financial statements include the accounts of Thorium Power, Ltd. (a Nevada corporation) and our wholly-owned subsidiary, Thorium Power, Inc. (a Delaware corporation).

On October 6, 2006, a merger took place between Thorium Power, Ltd. and Thorium Power, Inc. For financial reporting purposes, this merger transaction was recorded as a recapitalization of Thorium Power, Inc. , whereby Thorium Power, Inc. is deemed to be the continuing surviving entity for accounting purposes, but through reorganization, has deemed to have adopted the capital structure of Thorium Power, Ltd. Accordingly, all references to common shares of Thorium Power Inc.'s common stock have been restated to reflect the equivalent number of Thorium Power, Ltd.'s common shares.

All significant intercompany transactions and balances have been eliminated in consolidation.

#### b) Use of Estimates

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

These consolidated financial statements include some amounts that are based on management's best estimates and judgments. The most significant estimates relate to valuation of stock grants, stock options and stock purchase warrants, and various contingent liabilities. These above-mentioned estimates and others may be adjusted as more current information becomes available, and any adjustment could be significant in future reporting periods.

c) Prior Year Reclassifications

Certain reclassifications have been made to our prior years' financial statements in order to conform to the current year presentation. On our Statement of Operations, certain general and administrative expenses were combined into the one expense caption called general and administrative expenses. These reclassifications had no effect on previously reported results of operations or accumulated deficit of Thorium Power, Inc.

d) Warrants – Adoption of New Accounting Pronouncement

Warrants issued in conjunction with equity financing were accounted for under the Emerging Issues Task Force FSP (“EITF”) Issue No. 00-19, ‘Accounting for Derivative Financial Instruments Indexed to and Potentially Settled in a Company's Own Stock’. In December 2006, the FASB approved FSP EITF 00-19-2 Accounting for Registration Payment Arrangements, which establishes the standard that contingent obligations to make future payments under a registration rights arrangement shall be recognized and measured separately in accordance with Statement 5 and FASB Interpretation No. 14, Reasonable Estimation of the Amount of a Loss. The Company has evaluated the effect of how FSP EITF 00-19-2 and FSP EITF Topic D-98 affected these accompanying financial statements. The adoption of FSP EITF 00-19-2 accounting pronouncement on January 1, 2007 changed the classification of the warrant liability, total \$1,132,440 at January 1, 2007, to stockholders’ equity (additional paid in capital).

4. Financial Status and Going Concern Considerations - June 30, 2007

Management anticipates, based on its current projected working capital requirements, that it will have enough working capital funds to sustain its current operations at its current operating level, until sometime during the first calendar quarter of 2008. The Company will therefore need to raise additional capital in 2007, either by having future issuances of its stock or incurring debt in 2007 in order to provide the additional working capital funds required to continue its operations into 2008 and beyond.

5. Research and Development Costs

Research and development costs, amounted to \$ 155,471 and \$10,000 for the six months ended June 30, 2007 and 2006 respectively, and \$129,402 and \$10,000 for the three months ended June 30, 2007 and 2006 respectively, and \$4,055,960 from January 8, 1992 (Inception) to June 30, 2007

6. Stockholders' Equity

Total Common stock outstanding at June 30, 2007 was 297,095,650. There were also 850,000 shares that were held as Treasury stock at June 30, 2007, bringing the total number of shares issued to 297,945,650. At June 30, 2007, there were 21,779,544 stock purchase warrants and 33,869,910 stock options outstanding, all totaling 352,745,104 of total stock and stock equivalents outstanding June 30, 2007.

a). Common Stock Issued With Registration Rights - Temporary Equity Reclassified to Permanent Equity at June 30, 2007

On May 4, 2006, the Company completed a private placement with certain investors in which it sold an aggregate of 36,659,837 units, consisting of 36,659,837 shares of its restricted common stock and 18,329,98 common stock purchase warrants for \$15,580,431. Each unit consists of one share of common stock and one-half of a share purchase warrant. Each whole warrant entitles the holder of the warrant to acquire one additional share of common stock at a price of \$0.65 per share and expires twelve months from the closing date of the subscription expiration date or term subsequently extended 6 months.



Under the terms of the sale, the investors were granted registration rights in which the Company agreed to timely file a registration statement to register the common shares and the shares underlying the warrants, obtain effectiveness of the registration statement by the SEC on or before September 1, 2006, and maintain the effectiveness of this registration statement for a pre-set time thereafter. In the event the Company failed to timely perform under the registration rights agreement, the Company agreed to pay the investors liquidated damages in an amount equal to 2% of the aggregate amount invested by the investors for each 30-day period or pro rata for any portion thereof following the date by which the registration statement should have been effective. The initial registration statement was timely filed, however it was not declared effective by the SEC within the allowed time. Accordingly, the Company was liable to the investors for liquidated damages under the registration rights agreement.

The EITF is currently reviewing the accounting for securities with liquidated damages clauses as stated in EITF 05-04, *The Effect of a Liquidated Damages Clause on a Freestanding Financial Instrument* subject to EITF 00-19. There are currently several views as to how to account for this type of transaction and the EITF has not yet reached a consensus. In accordance with EITF 00-19, *Accounting for Derivative Financial Instruments Indexed To, and Potentially Settled in the Company's Own Stock*, and EITF 05-04, because of the potential liquidated damages for failure to obtain and maintain an effective registration statement is substantial, the value of the common stock subject to such registration rights should be classified as temporary equity. Additionally, in accordance with EITF 00-19 and the terms of the above warrants, the fair value of the warrants was recorded as a liability, with an offsetting reduction to shareholders' equity. The warrant liability is initially measured at fair value using the Black Scholes option pricing model, and was then re-valued at each reporting date, with changes in the fair value reported as non-cash charges or credits to earnings reported as gain/loss on fair value of warrant derivatives.

The SEC concluded that under EITF 00-19, common stock and warrants subject to registration rights where significant liquidated damages could be required to be paid to the holder of the instrument in the event the issuer fails to maintain the effectiveness of a registration statement for a preset time period, the common stock subject to such liquidated damages does not meet the tests required for shareholders' equity classification, and accordingly must be reflected between liabilities and shareholders' equity in the balance sheet until the conditions are eliminated. In analyzing instruments under EITF 00-19, the likelihood or probability related to the failure to maintain an effective registration statement is not a factor.

Based on the above interpretation, as of May 4, 2006, the Company classified \$12,041,373 for the value of common stock subject to registration rights as temporary equity instead of shareholders' equity. In addition, the Company measured the initial fair value of the warrants on May 4, 2006 at \$3,539,058 and classified at that date the fair value of the warrants as warrant liability instead of shareholders' equity.

At the end of each reporting period, the value of these warrants was re-measured based on the fair value of the underlying shares, and changes to the warrant liability and related “gain or loss in fair value of the warrants” was recorded as a non-cash charge or credit to earnings. The warrant liability was reclassified to shareholders' equity when the Company adopted a new accounting pronouncement FSP EITF 00-19-2 as mentioned above in 2007.

The SEC has recently issued further guidance on EITF Topic No. D-98 (financial statement classification of securities issued between permanent equity and temporary equity), and this SEC staff guidance specifically mentions that registration payment arrangements are considered to be a separate unit of account, and these registration payment arrangements are now accounted for in accordance with FASB Staff Position FSP EITF 00-19-2 as a contingent obligation and not part of the classification of equity. Therefore the SEC staff has generally concluded that the classification of financial instruments between permanent equity and temporary equity should not take into account the registration payment arrangement. The Company has no registration payment liabilities as of June 30, 2007. Based on the above, the Company classified \$12,041,373 for the value of common stock subject to registration rights as permanent equity instead of temporary equity at June 30, 2007.

#### b) Share-based Compensation

The Company has in place a stock-based compensation plan to reward for services rendered by officers, directors, employees and consultants. On July 17, 2006, the Company amended this stock plan. The Company has reserved 75,000,000 shares of common stock of its unissued share capital for the stock plan. Other limitations are as follows:

- i). No more than 37,500,000 options can be granted for the purchase of restricted common shares.
- ii). No more than 8,000,000 options can be granted to any one person.
- iii). No more than 5,000,000 options can be granted to any one person for the purchase of restricted common shares.

On January 1, 2006, the Company adopted FAS-123R. In March 2005, the SEC staff expressed their views with respect to FAS-123R in Staff Accounting Bulletin No. 107, Share-Based Payment (“SAB 107”). SAB 107 provides guidance on valuing options. Prior to January 1, 2006, the Company accounted for share-based payments under the recognition and measurement provisions of APB Opinion No. 25, Accounting for Stock Issued to Employees (“APB 25”), and related Interpretations, as permitted by FAS-123. In accordance with APB 25, no compensation cost was required to be recognized for options granted that had an exercise price equal to the market value of the underlying common stock on the date of grant. The Company adopted FAS-123R using the modified-prospective-transition method. Under that transition method, compensation cost recognized in future interim and annual reporting periods includes: a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of FAS-123, and b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of FAS-123R.

The adoption of FAS-123R had no effect on cash flow from operations or cash flow from financing activities for the three months ended June 30, 2007. FAS-123R requires the cash flows from tax benefits resulting from tax deductions in excess of the compensation cost recognized for those options (“excess tax benefits”) to be classified as financing cash flows. Prior to the adoptions of FAS-123R, excess tax benefits would have been classified as operating cash inflows. The Company has not recognized, and does not expect to recognize in the near future, any tax benefit related to stock-based compensation costs as a result of the full valuation allowance on our net operating loss carry forwards.

The Company recognizes share-based compensation expense for all service-based awards with graded vesting schedules on a straight-line basis over the requisite service period for the entire award. Initial accruals of compensation expense are based on the estimated number of shares for which requisite service is expected to be rendered. Estimates are revised if subsequent information indicates that forfeitures will differ from previous estimates, and the cumulative effect on compensation cost of a change in the estimated forfeitures is recognized in the period of the change.

For awards with service conditions and graded vesting that were granted prior to the adoption of FAS-123R, the Company estimates the requisite service period and the number of shares expected to vest and recognize compensation expense for each tranche on a straight-line basis over the estimated requisite service period of the award or over a period ending with an employee's eligible retirement date, if earlier. Adjustments to compensation expense as a result of revising the estimated requisite service period are recognized prospectively.

Total stock options outstanding at June 30, 2007 were 33,869,910 and 16,269,922 of these total options were vested at June 30, 2007.

Stock option transactions to the employees, directors, advisory board members and consultants are summarized as follows:

	June 30, 2007
<b>Stock Options Outstanding</b>	
Outstanding – Beginning of Period	34,578,993
Issued	5,686,412
Expired	(6,395,495)
Forfeited	-
Outstanding end of the period	33,869,910
Options exercisable at the end of the period	16,269,922

The above table includes options issued and outstanding as of June 30, 2007 from Thorium Power, Ltd. as follows:

- i). A total of 4,700,000 non-qualified 10 year options have been issued by Thorium Power, Ltd., to advisory board members at exercise prices of \$0.25 to \$0.64 per share.

- ii). A total of 6,000,000 non-qualified 5 year options have been issued to advisory board members.
- iii). A total of 17,403,654 non-qualified 2 year, 5 year and 10 year options have been issued to directors and officers of the Company, at exercise prices of \$0.30 to \$0.80 per share. From this total, 7,200,000 options were issued to Chief Executive Officer who is also a director, on February 14, 2006, with a remaining contractual life of 8.8 years. On January 16, 2007 our Chief Executive Officer was issued 1,486,412 options to replace the same number of stock options he was granted from Thorium Power, Inc, prior to the merger, that were expiring January 2007. The exercise price of these options was increased from its original strike price of \$0.39 per share to \$0.50 per share with a new contractual life of 2 years. Also from the total options cited above, 1 million options were issued to our Chief Operating Officer, pursuant to an employment agreement, on February 1, 2007 at an exercise price of \$0.35 per share, vesting over 4 years with the first 6 months vesting on August 1, 2007, with a contractual term of 10 years.

The following table provides certain information with respect to the above-referenced stock options that are outstanding and exercisable at June 30, 2007:

Exercise Prices	Stock Options Outstanding		Stock Options Vested	
	Number of Awards	Weighted Average Remaining Contractual Life – Years	Number of Awards	Weighted Average Exercise Price
\$0.16 - \$0.25	8,266,256	5.08	6,432,924	\$ 0.18
\$0.30-\$0.39	3,192,242	5.94	1,010,299	\$ 0.33
\$0.45-\$0.51	13,211,412	5.92	5,593,363	\$ 0.48
\$0.64-\$0.80	9,200,000	8.68	3,233,336	\$ 0.77
Total	33,869,910	6.15	16,269,922	\$ 0.47

Assumptions used in the Black Scholes option-pricing model are as follows:

The aggregate intrinsic value of stock options outstanding at June 30, 2007 was \$ 790,016 of which \$ 735,016 relates to vested awards. Intrinsic value is calculated based on the difference between the exercise price of the underlying awards and the quoted price of our common stock as of the reporting date (\$0.28 per share as of June 30, 2007)

June 30, 2007	
Average risk-free interest rate	4.18% - 4.45%
Average expected life	5 years
Expected volatility	96% - 275%
Expected dividends	0%

During the six and three months ended June 30, 2007, \$ 2,454,734 and \$ 1,119,217 respectively was recorded as stock-based compensation expense in the statement of operations. The result of all the above stock option grants included in stock-based compensation in the statement of operations, totaled \$2,128,023 and \$951,000 respectively, for the six and three months ended June 30, 2007 (non-deductible for tax purposes, may provide a tax deduction for the Company when exercised). Stock compensation to executive officers totaled \$29,167. This compensation was recorded as a result of the issuance of 1 million shares of restricted stock to the Company's new Chief Operating Officer, pursuant to an employment agreement entered into effective February 1, 2007. These shares vest monthly over a 36 month period and the exercise price was \$0.35 per share on the date of the agreement. This stock issuance resulted in a total stock compensation expense of \$350,000, to be recognized over a 36 month period starting February 1, 2007. For the six and three months ended June 30, 2007, \$48,611 and \$19,444 respectively of this total compensation amount was recognized as stock compensation expense and the remaining amount \$301,389 was recorded as deferred stock compensation, a contra equity account on the balance sheet. [Some stock volatility factors used by the Company for five option grants in its fiscal year ended June 30, 2006 were calculated for Black Scholes using the term of the option, which is general practice, as opposed to using the announcement date of the merger, January 5, 2006, which was later determined to be a more applicable date range, as the announcement date was the date the stock market reflected the merger in the valuation of the Company's stock. This difference in these volatility factors for these five option grants is not material to these financial statements, therefore, no current adjustment to the volatility factors was made to these financial statements for these five option grants and we have decided to continue to use these factors for future expense recognition of options under SFAS #123R.

c). Warrants

At June 30, 2007, there were 21,779,544 warrants outstanding.

At June 30, 2007 the range of warrant prices for shares under warrants and the weighted-average remaining contractual life are as follows:

Warrants - Exercise Price	Warrants Outstanding and Exercisable	
	Number of Warrants	Weighted Average Remaining Contractual Life – Years
\$0.39	1,345,460	0.65
\$0.50 (Assumed from Thorium Power Ltd.)	2,104,166	0.25
\$0.65 (Assumed from Thorium Power Ltd.)	18,329,918	0.35
Total	21,779,544	0.36

The investors in the March 30, 2006 and May 4, 2006 private placements received detachable warrants for the purchase of 2,104,166 and 18,329,918 shares of common stock, respectively, which were valued at \$281,117 and \$3,539,058, respectively. For purposes of estimating the intrinsic fair value of each warrant as of dates of the private placements, the Company utilized the Black Scholes option-pricing model. The Company estimated the fair value of the warrants assuming no expected dividends and the following weighted-average assumptions:

<b>June 30, 2007</b>	
Average risk-free interest rate	2.86% - 4.30%
Average expected life	1 year
Expected volatility	142% - 153%
Expected dividends	0%

d). Common Stock and Warrants reserved for Future Issuance

Common stock and warrants reserved for future issuance consists of:

	<b>Shares of Common Stock</b>	<b>Stock Purchase Warrants</b>	<b>Amount</b>
Stock-based Compensation	1,000,000	0	\$ 350,000

7. Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities recognized for financial reporting and the amounts recognized for income tax purposes. The significant components of deferred tax assets (at a 40% effective tax rate) as of June 30, 2007 are as follows:

<b>Assets</b>	<b>Total Amount</b>	<b>Deferred Tax Asset Amount</b>
Stock-based compensation	\$ 4,472,034	\$ 1,788,814
Approximate net operating loss	27,914,397	11,165,759
Less: valuation allowance	(32,386,431)	(12,954,573)
	\$ -	\$ -

Management believes that it is more likely than not that the forecasted taxable income will not be sufficient to utilize the tax carryforwards of approximately \$27,914,397, before its expiration in 2012 to and 2027 to fully recover the asset. As a result, the amount of the deferred tax assets considered realizable was reduced 100% by a valuation allowance. In the near term, if estimates of future taxable income are increased, such an increase will change the valuation allowance. The Company has no other deferred tax assets or liabilities. The Company will also be subject to limitations under Internal Revenue Code Section 382 regarding the use of its net operating loss carryforwards in future tax years.

8. Research Agreement

The Company has recently reached an agreement with Federal State Unitary Enterprise “Red Star”, a Russian government owned entity, on all terms of a contract whereby Thorium Power's seed and blanket fuel designs will undergo further irradiation testing with the goal of moving toward deployment within full-sized commercial reactors. The Company is also working on finalizing a Cooperative Research Agreement and a Joint Venture agreement with Red Star. These agreements are subject to approval by the Russian Federal Agency for Atomic Energy (RosAtom), which the Company expects to be completed during 2007.

9. Commitments and Contingencies

Firm Price Commitments

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The Company entered into a firm price commitment agreement with the University of Texas of the Permian Basin (“UTPB”), in connection with its participation in the pre-conceptual design phase for the construction of a high-temperature test and research reactor in Texas. The agreement had created a commitment by the Company for a minimum of \$1.25 million financial contribution toward the project. A minimum payment of \$50,000 on the agreement was due and paid on February 22, 2006, with 10 additional conditional contributions totaling \$1.2 million due by December 31, 2006. A total of \$550,000 has been paid as of December 31, 2006 and these amounts were recorded as donations, under the caption general and administrative expenses.

The terms of this agreement allow either party to terminate the agreement at any time upon giving written notice of termination. The Company, after having further detailed discussions with UTPB regarding the use of the \$550,000 donations that were made to UTPB in 2006 and the terms of the agreement, it was understood between the parties that if future donations were to be given, they would be given at the discretion of Thorium Power based on the future use of these funds. Therefore, it is management's assessment and opinion, that under the terms of this agreement, the Company has no further obligations to fund the additional \$675,000 to UTPB project; any future funding will be made at the discretion of Thorium Power, subject to the condition that the proceeds are directed by UTPB to the Company’s nuclear research or other development work related to its Thorium based fuel designs, as agreed to by the parties.

#### COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The Company has employment agreements with its executive officers, the terms of which expire at various times. Such agreements provide for minimum compensation levels, as well as incentive bonuses that are payable if specified management goals are attained. Under each of the agreements, in the event the officer's employment is terminated (other than voluntarily by the officer or by the Company for cause or upon the death of the officer), the Company, if all provisions of the employment agreements are met, is committed to pay certain benefits, including specified monthly severance.

**AUDITED FINANCIAL STATEMENTS  
THORIUM POWER, LTD  
DECEMBER 31, 2006**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To The Board of Directors  
Thorium Power, Ltd.  
Washington, DC

We have audited the accompanying consolidated balance sheets of Thorium Power, Ltd. (a development stage company) as of December 31, 2006 and 2005, and the related consolidated statements of operations and comprehensive income, changes in stockholders' deficit, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting, as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Thorium Power, Ltd. (a development state company) as of December 31, 2006 and 2005, and the related consolidated statements of operations and comprehensive income, changes in stockholders' deficit, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Since our previous report dated March 19, 2007 as described in the Introductory Note, the Company discovered a material error in its presentation of stock issue costs in the statements of cash flows and the presentation of outstanding shares of common stock in the statement of stockholders deficiency. However, the Company has restated the financial statements to reflect the correction of these errors.

/s/ Child, Van Wagoner & Bradshaw, PLLC  
Child, Van Wagoner & Bradshaw, PLLC  
Salt Lake City, Utah  
March 19, 2007, except the Introductory Note, which is dated July 5, 2007

**Thorium Power, Ltd.**  
**(A Development Stage Company)**  
**Consolidated Balance Sheets**

	December 31 2006	December 31 2005
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 10,927,775	\$ 283
Prepaid expenses & other current assets	394,443	6,280
<b>Total Current Assets</b>	<b>11,322,218</b>	<b>6,563</b>
Property Plant and Equipment -net	21,290	21,215
<b>Other Assets</b>		
Patent costs - net	217,875	211,211
Security deposits	2,049	7,567
<b>Total Other Assets</b>	<b>219,924</b>	<b>218,778</b>
<b>Total Assets</b>	<b>\$ 11,563,432</b>	<b>\$ 246,556</b>
<b>Liabilities and Stockholders' Deficiency</b>		
<b>Current Liabilities</b>		
Current portion long term debt	\$ 4,739	\$ 4,135
Accounts payable and accrued liabilities	1,121,083	938,776
Other current liabilities	347,690	0
Warrant liability	1,132,440	0
Note payable	0	45,930
<b>Total Current Liabilities</b>	<b>2,605,952</b>	<b>988,841</b>
Notes Payable - long term	10,433	14,818
<b>Total Liabilities</b>	<b>2,616,385</b>	<b>1,003,659</b>
Commitments and contingencies - note 10		
<b>Common Stock with Registration Rights</b>		
Common Stock subject to continuing registration, \$0.001 par value, 36,659,837 shares issued and outstanding at December 31, 2006, 0 at December 31, 2005	12,041,373	0
<b>Stockholders' Deficiency</b>		
Preferred stock, \$0.001 par value, 50,000,000 authorized shares, no shares issued and outstanding	0	0
Common stock, \$0.001par value, 500,000,000 authorized, 257,291,709 shares issued and 256,441,709 shares outstanding (December 31, 2005, equivalent shares outstanding 86,185,881)	257,292	168,149
Additional paid in capital - stock and stock equivalents	23,148,560	14,544,410
Deficit accumulated during the development stage	(27,177,989)	(15,469,662)

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Common stock reserved for issuance, 4,000,000 shares	1,200,000	0
Accumulated other comprehensive income	18,861	0
Deferred stock compensation	(285,200)	0
Treasury stock - 850,000 shares	(255,850)	0
<b>Total Stockholders' Deficiency</b>	<b>(3,094,326)</b>	<b>(757,103)</b>
<b>Total Liabilities and Stockholders' Deficiency</b>	<b>\$ 11,563,432</b>	<b>\$ 246,556</b>

**The accompanying notes are an integral part of these consolidated financial statements**

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**Thorium Power, Ltd.**  
**(A Development Stage Company)**  
**Consolidated Statements of Operations and Comprehensive Loss**  
**(Restated)**

	Year End December 31,		Cumulative Period from January 8, 1992 (Inception) to (unaudited) 2006 December 31,
	2006	2005	
<b>Revenue:</b>			
License revenue	\$ 0	\$ 0	\$ 624,985
<b>Total Revenue</b>	<b>0</b>	<b>0</b>	<b>624,985</b>
<b>Operating Expenses</b>			
General and administrative	3,150,243	440,003	13,154,561
Research and development	34,400	17,500	3,926,558
Stock-based compensation	9,131,746	303,055	11,361,617
<b>Total Operating Loss</b>	<b>12,316,389</b>	<b>760,558</b>	<b>27,817,751</b>
<b>Other Income and Expenses</b>			
Gain on fair value of derivative instruments	1,902,286	0	1,902,286
Other income/expense	115,128	54	146,829
Stock settlement expense	(92,260)	0	(92,260)
Registration right expense	(353,706)	0	(353,706)
Warrant expense	(963,387)	0	(963,387)
<b>Total Other Income and [Expenses]</b>	<b>608,061</b>	<b>54</b>	<b>639,762</b>
<b>Net Loss</b>	<b>11,708,328</b>	<b>760,504</b>	<b>27,177,989</b>
<b>Other Comprehensive Income (loss)</b>			
Unrealized Gain - Marketable Securities	18,861	0	
<b>Total Comprehensive Loss</b>	<b>\$ 11,689,467</b>	<b>\$ 760,504</b>	
<b>Net Loss Per Common Share, Basic and diluted</b>	<b>\$ (0.08)</b>	<b>\$ (0.01)</b>	
Weighted Average Number of shares used to compute per share data	153,733,780	105,463,178	

**The accompanying notes are an integral part of these consolidated financial statements**

**Thorium Power, Ltd.**  
**(A Development Stage Company)**  
**Consolidated Statements of Cash Flows**

	Years Ended December 31,		Cumulative Amounts January 8, 1992 (Inception) to December 31, 2006 (unaudited) (Restated)
	2006 (Restated)	2005	
<b>Operating Activities</b>			
Loss for the year	\$ (11,708,327)	\$ (760,504)	\$ (27,177,989)
Adjustments to reconcile net loss from operations to net cash used in operating activities:			
Shares issued for other than cash for payment of expenses	9,131,746	303,055	11,449,866
Gain on fair value of derivative instruments	(1,902,286)	0	(1,902,286)
Depreciation and Amortization	10,886	22,704	357,211
Gain or loss on disposition of assets	0	3,710	86,855
Warrant Expense	963,387	0	963,387
Settlement Expense	92,260	0	92,260
Allocated general and administrative expenses - contributed capital	290,769	0	290,769
Changes in non-cash operating working capital items:			
Prepaid expenses and other current assets	(270,779)	525	(277,059)
Accounts payable and accrued liabilities	(220,201)	142,913	718,576
Other assets	5,518	0	5,518
Other current liabilities	302,392	0	302,392
Net Cash (Used In) Operating Activities	(3,304,635)	(287,597)	(15,090,500)
<b>Investing Activities</b>			
Purchase of equipment	(10,961)	(22,217)	(285,145)
Proceeds from the sale of equipment	0	937	13,583
Acquisition of patents	(6,664)	(4,523)	(411,669)
Other assets	0	(154)	(7,567)
Net Cash (Used In) Investing Activities	(17,625)	(25,957)	(690,798)
<b>Financing Activities</b>			
Issue of common shares	2,202,678	260,992	14,498,016
Disbursements - stock issue costs	(441,553)	-	(441,553)
Payments on notes payable and other	(3,781)	18,952	15,171
Proceeds of loan - related party	0	85,227	384,690
Repayment of loan - related party	0	(51,796)	(239,659)
Purchase of treasury stock	(255,850)	0	(255,850)
Other	5,850	0	5,850
Cash acquired in recapitalization of Thorium Power Inc.	12,742,408	0	12,742,408
Net Cash Provided By Financing Activities	14,249,752	313,375	26,709,073

Net Increase In Cash and Cash Equivalents	10,927,492	(179)	10,927,775
Cash and Cash Equivalents, Beginning Of Period	283	462	0
Cash and Cash Equivalents, End Of Period	<b>\$ 10,927,775</b>	<b>\$ 283</b>	<b>\$ 10,927,775</b>
Supplemental Disclosure of Cash Flow Information			
Cash paid during the year:			
Interest paid	\$ -	\$ -	\$ -
Income taxes paid	\$ -	\$ -	\$ -
Non-cash transactions (Note 1)			

**The accompanying notes are an integral part of these consolidated financial statements**

**Thorium Power, Ltd.**  
**(A Development Stage Company)**  
**Consolidated Statements of Changes in Stockholders' Deficiency**  
**From January 8, 1992 (Inception) to December 31, 2006**  
**(Restated)**

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated (Deficit)	Stockholders' Equity
<b>Inception – January 8, 1992</b>					
Issuance of common stock for technology and service	37,632,000	60,000	-	-	60,000
Net (loss) for the period ended	-	-	-	(60,000)	(60,000)
<b>Balance – December 31, 1992 (unaudited)</b>					
	37,632,000	60,000	-	(60,000)	-
Issuance of common stock and warrants for cash	8,106,560	12,925	535,030	-	547,955
Issuance of stock in exchange for services	1,473,920	2,350	20,000	-	22,350
Exercise of stock options and warrants	313,600	500	99,500	-	100,000
Net (loss) for the year ended December 31, 1993	-	-	-	(81,526)	(81,526)
<b>Balance – December 31, 1993 (unaudited)</b>					
	47,526,080	75,775	654,530	(141,526)	588,779
Authorized 10,000,000 shares - \$.05 par value					
Issuance of common stock and warrants for cash	821,632	1,310	260,690	-	262,000
Issuance of stock in exchange for services	313,600	500	9,500	-	10,000
Issuance of options to non-employees for services	-	-	15,400	-	15,400
Net (loss) for the year ended December 31, 1994	-	-	-	(639,861)	(639,861)
<b>Balance – December 31, 1994 (unaudited)</b>					
	48,661,312	77,585	940,120	(781,387)	236,318
Issuance of common stock and warrants for cash	1,301,440	2,075	412,925	-	415,000
Issuance of stock in exchange for services	244,608	390	7,410	-	7,800
Exercise of stock options and warrants	313,600	500	9,500	-	10,000
Net (loss) for the year ended December 31, 1995	-	-	-	(1,088,082)	(1,088,082)
	50,520,960	80,550	1,369,955	(1,869,469)	(418,964)

**Balance – December 31, 1995****(unaudited)**

Issuance of common stock for cash	950,208	1,515	301,485	-	303,000
Issuance of common stock for services	250,880	400	7,600	-	8,000
Exercise of stock options and warrants	1,066,240	1,700	32,300	-	34,000
Issuance of options to non-employees for services	-	-	7,950	-	7,950
Net (loss) for the year ended December 31, 1996	-	-	-	(763,179)	(763,179)

**Balance – December 31, 1996****(unaudited)**

52,788,288	\$	84,165	\$	1,719,290	\$	(2,632,648)	\$	(829,193)
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**Thorium Power, Ltd.**  
**(A Development Stage Company)**  
**Consolidated Statements of Changes in Stockholders' Deficiency (Continued)**  
**From January 8, 1992 (Inception) to December 31, 2006**  
**(Restated)**

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated (Deficit)	Stockholders' Equity
<b>Balance – December 31, 1996 (unaudited)</b>	52,788,288	\$ 84,165	\$ 1,719,290	\$ (2,632,648)	\$ (829,193)
Issuance of common stock and warrants for cash	1,778,112	2,835	564,165	-	567,000
Exercise of stock options and warrants	1,599,360	2,550	79,450	-	82,000
Issuance of options to non-employees for services	-	-	15,960	-	15,960
Net (loss) for the year ended December 31, 1997	-	-	-	(598,718)	(598,718)
<b>Balance – December 31, 1997 (unaudited)</b>	56,165,760	89,550	2,378,865	(3,231,366)	(762,951)
Issuance of common stock and warrants for cash	2,086,568	3,327	662,033	-	665,360
Exercise of stock options and warrants	8,780,800	14,000	456,000	-	470,000
Issuance of options to non-employees for services	-	-	1,325	-	1,325
Net (loss) for the year ended December 31, 1998	-	-	-	(792,185)	(792,185)
<b>Balance – December 31, 1998 (unaudited)</b>	67,033,128	106,877	3,498,223	(4,023,551)	(418,451)
Issuance of common stock for cash	1,118,768	1,784	354,966	-	356,750
Exercise of stock options and warrants	1,105,440	1,762	180,738	-	182,500
Net (loss) for the year ended December 31, 1999	-	-	-	(822,803)	(822,803)
<b>Balance – December 31, 1999 (unaudited)</b>	69,257,336	110,423	4,033,927	(4,846,354)	(702,004)
Issuance of common stock for cash	8,925,056	14,230	2,831,770	-	2,846,000
Issuance of common stock for services	3,198,720	5,100	449,900	-	455,000
Net (loss) for the year ended December 31, 2000	-	-	-	(1,487,354)	(1,487,354)
<b>Balance – December 31, 2000 (unaudited)</b>	81,381,112	129,753	7,315,597	(6,333,708)	1,111,642

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Issuance of common stock and warrants for cash	10,976,000	17,500	3,468,031	-	3,485,531
Issuance of common stock for settlement	313,600	500	36,100	-	36,600
Exercise of stock options and warrants	896,896	1,430	139,570	-	141,000
Modification of options	-	-	28,500	-	28,500
Net (loss) for the year ended December 31, 2001	-	-	-	(2,606,466)	(2,606,466)
<b>Balance – December 31, 2001 (unaudited)</b>	93,567,608	\$ 149,183	\$ 10,987,798	\$ (8,940,174)	\$ 2,196,807

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**Thorium Power, Ltd.**  
**(A Development Stage Company)**  
**Consolidated Statements of Changes in Stockholders' Deficiency (Continued)**  
**From January 8, 1992 (Inception) to December 31, 2006**  
**(Restated)**

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated (Deficit)	Stockholders' Equity
<b>Balance – December 31, 2001 (unaudited)</b>	93,567,608	149,183	10,987,798	(8,940,174)	2,196,807
Issuance of common stock and warrants for cash	156,800	250	49,750	-	50,000
Exercise of stock options and warrants	156,800	250	22,750	-	23,000
Issuance of common stock not previously recognized	31,360	50	(50)	-	-
Net (loss) for the year ended December 31, 2002	-	-	-	(2,224,775)	(2,224,775)
<b>Balance – December 31, 2002 (unaudited)</b>	93,912,568	149,733	11,060,248	(11,164,949)	45,032
Issuance of common stock and warrants for cash	3,606,400	5,750	604,250	-	610,000
Exercise of stock options and warrants	3,333,568	5,315	157,685	-	163,000
Modifications of options and warrants	-	-	1,506,427	-	1,506,427
Issuance of common stock not previously recognized	156,800	250	(250)	-	-
Net (loss) for the year ended December 31, 2003	-	-	-	(2,569,534)	(2,569,534)
<b>Balance – December 31, 2003 (unaudited)</b>	101,009,336	\$ 161,048	\$ 13,328,360	\$ (13,734,483)	\$ (245,075)
Issuance of common stock and warrants for cash	1,991,360	3,175	254,576	-	257,751
Loan conversion into stock	54,880	88	6,913	-	7,000
Issuance of options to non-employees for services	-	-	351,253	-	351,253
Net (loss) for the year ended December 31, 2004	-	-	-	(974,674)	(974,674)
<b>Balance – December 31, 2004 (unaudited)</b>	103,055,576	\$ 164,311	\$ 13,941,101	\$ (14,709,158)	\$ (603,746)
Issuance of common stock and warrants for cash	2,069,697	3,300	257,692	-	260,992
Loan conversion into stock	337,904	539	42,561	-	43,100
	-	-	303,055	-	303,055

Issuance of options to non-employees for services					
Net (loss) for the year ended December 31, 2005	-	-	-	(760,504)	(760,504)
<b>Balance – December 31, 2005</b>	105,463,177	\$ 168,149	\$ 14,544,410	\$ (15,469,662)	\$ (757,103)

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**Thorium Power, Ltd.**  
**(A Development Stage Company)**  
**Consolidated Statements of Changes in Stockholders' Deficiency (Continued)**  
**From January 8, 1992 (Inception) to December 31, 2006**

	Common Shares	Stock Amount	Additional Paid-in Capital	Accumulated (Deficit) During the Development Stage	Stock Commitment Future Issuance	Accumulated Comprehensive Income	Deferred Stock Compensation	Treasury Stock	Stockhold Equity
Balance - December 31, 2005	105,463,177	\$ 168,149	\$ 14,544,410	\$(15,469,662)	\$	0 \$	0 \$	0 \$	\$ (757,
Issuance of common stock and warrants for cash	15,319,674	24,426	2,165,248						2,189,
Loan conversion into stock	32,144	51	4,049						4,
Cashless exercise of stock options and warrants	20,385,474	32,502	(32,502)						
Exercise of stock options and warrants for cash	407,680	650	12,350						13,
Issuance of stock for services	627,200	1,000	104,000						105,
Cancellation of shares-held by Thorium Power Ltd (pursuant to merger)	(6,597,495)	(10,506)	10,506						
Recapitalization - 10/6/06 reverse merger*	124,101,637	43,467	(3,035,878)				(306,000)		(3,298,
Extension of investor warrants terms - 6 months			963,387						963,
Stock Option Expense			1,055,648						1,055,
Issuance of stock for services	204,341	205	226,284						226,

Cashless exercise of stock options and warrants	49,333	49	(49)						
Stock issued - settlement expense	307,534	308	91,952						92,
Share issue and merger costs			(441,553)						(441,
Shares retired, redeemed for payroll taxes on stock-based compensation	(3,008,990)	(3,009)	3,009						
Net (loss) for the year ended December 31, 2006				(11,708,327)					(11,708,
Unrealized gains on marketable securities						18,861			18,
Amortization of deferred stock compensation costs						20,800			20,
Allocation of expenses from Thorium Power Ltd.			7,477,700						7,477,
Buyback of stock - 850,000 shares to treasury stock	(850,000)						(255,850)		(255,
Stock based compensation - shares committed for future issuance					1,200,000				1,200,
Balance - December 31, 2006	256,441,709	\$ 257,292	\$ 23,148,560	\$ (27,177,989)	\$ 1,200,000	\$ 18,861	\$ (285,200)	\$ (255,850)	\$ (3,094,

\* See footnote 1 regarding the recapitalization of Thorium Power Inc.

Shares subject to continuing registration rights is shown on the balance sheet as temporary equity, not shareholders deficiency

**The accompanying notes are an integral part of these consolidated financial statements**



**Thorium Power, Ltd.**  
**(A Development Stage Company)**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2006**  
**(Restated)**

**INTRODUCTORY NOTE**

**RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS**

Subsequent to the issuance of the December 31, 2006 and 2005 consolidated financial statements, the Company determined that it needed to restate its 2006 and 2005 financial statements in order to correct earlier disclosures made so that they are in accordance with generally accepted accounting principles. The first item restated was to reclassify the cash flow impact of common stock issue costs, total \$441,553 from operating activities to financing activities in the statement of cash flows. This change in the statement of cash flows had no impact on the total net cash flows reported for the periods presented. It was also found that the company needs to change its presentation of the capital stock transactions in the statement of stockholders deficiency from January 8, 1992 (inception) to December 31, 2006. This change was made to reflect the equivalent number of Thorium Power Ltd. shares for each capital transaction, calculated by using the ratio of Thorium Power Ltd shares that were issued in the reverse merger to Thorium Power Inc. stockholders, to the outstanding shares held by the Thorium Power Inc. stockholders at the merger date (10/6/06). This change had no impact on the total number of common shares reported as outstanding as of December 31, 2006 on the statement of stockholders deficiency as well as the balance sheet. A restatement was made to increase the weighted average shares outstanding at December 31, 2006 and 2005. The loss per share reported for the year ended December 31, 2006 decreased from \$0.09 to \$0.08 per share. Additional footnote disclosures in the financial statements were made to clarify certain other disclosures. The cumulative financial numbers presented, required to be presented for all development stage companies, from inception (January 8, 1992) to December 31, 2006, reported on the statement of operations and statement of stockholders deficiency are now marked as unaudited, as it was not practicable for us to obtain permission from the prior auditor to reissue their audit report, which was for the periods up to December 31, 2001 and for the cumulative period January 8, 1992 to December 31, 2001.

Accordingly, these accompanying 2006 consolidated financial statements have been restated, for the items mentioned above, from the amounts previously reported. There were no changes on the balance sheet at December 31, 2006 and 2005 and the reported net loss for the years ended December 31, 2006 and 2005.

**Thorium Power, Ltd.**  
**(A Development Stage Company)**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2006**

1. NATURE OF OPERATIONS AND MERGER WITH THORIUM POWER INC.

Radkowsky Thorium Power Corp., incorporated in the state of Delaware on January 8, 1992 (“Inception”), changed its name to Thorium Power, Inc. in April 2001. Thorium Power, Inc. is engaged in the development, promotion and marketing of its three patented nuclear fuel designs: (1) Thorium/uranium nuclear fuel, (2) Thorium/reactor-grade plutonium disposing fuel, and (3) Thorium/weapons-grade plutonium disposing fuel. These fuels are designed to be used in existing light water reactors. Presently, we are focusing most of our efforts on demonstrating and testing our nuclear fuel technology for the Russian designed VVER-1000 reactors.

Once our reactor fuels are further developed and tested, we plan to license our intellectual property rights to fuel fabricators, nuclear generators, and governments for use in commercial light water nuclear reactors, or sell the technology to a major nuclear company or government contractor or some combination of the two. We anticipate having our technology fully developed for VVER-1000 reactors and our fuel tested in a VVER-1000 operating reactor in the next three years. Presently all our research, testing and demonstration activities are being conducted in Russia. Our research operations are subject to various political, economic, and other risks and uncertainties inherent in Russia.

We participate in a highly regulated industry that is characterized by governmental regulation. Our results of operations are affected by a wide variety of factors including general economic conditions, decreases in the use or public favor of nuclear power, the ability of our technology, the ability to safeguard the production of nuclear power and safeguarding our patents and intellectual property from competitors. Due to these factors, we may experience substantial period-to-period fluctuations in our future operating results.

We may in the future be designated as a potentially responsible party (PRP) by federal and state agencies with respect to certain sites with which we may have direct or indirect future involvement. Such designations can be made regardless of the extent of our involvement.

Operations to date have been devoted primarily to continued development of our fuel designs filing for certain patents relating to our technology, developing strategic relationships within the nuclear industry, securing political and some financial support from the United States and Russian governments, and administrative functions. We, therefore, based on our current operations, prepare our accompanying consolidated financial statements as a Development Stage Enterprise.

Merger Agreement

On February 14, 2006 Novastar Resources Ltd. (“Novastar”), entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Thorium Power, Inc. and TP Acquisition Corp., a direct wholly-owned subsidiary of Thorium Power, Ltd. which was formed in connection with the merger transaction contemplated by the Merger Agreement. (Collectively after the merger, all entities are referred to as the “Company”). Concurrently therewith, Thorium Ltd (1) adopted its 2006 Stock Plan, (2) entered into an employment agreement with Seth Grae, President and Chief Executive Officer of Thorium Power, Inc. to also become President and Chief Executive Officer of Thorium Power, Ltd., which granted certain nonqualified stock options to Mr. Grae and (3) also entered into a subscription agreement with Thorium Power, Inc. for the purchase of 6,597,495 shares for \$0.13 per share (equivalent to \$4.00 per Thorium Power Inc share price), subsequently these 6,597,495 shares were cancelled at the Merger date, October 6, 2006.

The Merger was consummated pursuant to the terms of an Agreement and Plan of Merger among the parties that was entered into on February 14, 2006 and then subsequently the original merger terms were amended on June 12, 2006 and August 8, 2006. On October 6, 2006, subsequent to the merger, Novastar changed its name to Thorium Power Ltd. (“Thorium Power, Ltd.”)

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**Thorium Power, Ltd.**  
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**Notes to the Consolidated Financial Statements**  
**December 31, 2006**

Under the Merger Agreement each common share of Thorium Power, Inc. was converted into common stock securities of Thorium Power, Ltd. such that Thorium Power, Inc.'s current stockholders owned approximately 54.5% of the combined company (prior to dilution from common stock and warrants issued in connection with the May 2006 private placement), and each share of Thorium Power, Ltd.'s common stock will remain outstanding. In addition, Thorium Power, Ltd. appointed new directors and officers following the merger. The combined company is headquartered in McLean, Virginia, where the Company's operations are presently based.

In accordance with the terms of the Merger Agreement, the following occurred with respect to the outstanding common shares, stock options and warrants of Thorium Power, Inc. at the closing of the Merger:

i) all of the shares of common stock of Thorium Power, Inc. were cancelled and each registered owner of outstanding shares of Thorium Power, Inc. common stock automatically became the registered owner of 31.36 shares of common stock of Thorium Power, Ltd., for each share of Thorium Power, Inc. common stock that they previously owned (recapitalization ratio for reverse merger accounting purposes). In accordance to the Merger Agreement, each holder of non-compensatory options or warrants of Thorium Power, Inc. that had an exercise price of \$5.00 or \$1.00, received from Thorium Ltd 12.315 shares and 22.965 shares of Thorium Power, Ltd. respectively, for each option or warrant owned. There were 135,637,854 total common shares issued to the Thorium Power, Inc. stockholders in the aggregate. There was a total of 160,761,474 of common shares outstanding in Thorium Power Ltd. prior to the merger, of which 124,101,637 shares are being shown as permanent equity in the statement of changes in stockholders' deficiency and 36,659,837 as shown on the balance sheet as temporary equity. As a result of the merger, there were 296,399,328 common shares outstanding on October 6, 2006 (including the 36,659,837 shares of common stock shown as temporary equity).

ii) all of other outstanding warrants and options of Thorium Power, Inc. were assumed by Thorium Power, Ltd. and became exercisable for Thorium Power, Ltd. common stock in an amount and at an exercise price that is consistent with the exchange ratio described above for the conversion of Thorium Power, Inc. common stock. There were 22,539,083 Thorium Power, Ltd., stock purchase warrants and 22,567,242 Thorium Power, Ltd., stock options assumed by Thorium Power, Inc. as of the date of the merger.

For financial reporting purposes, this merger transaction was recorded as a recapitalization of Thorium Power, Inc. whereby Thorium Power, Inc. is deemed to be the continuing, surviving entity for accounting purposes, but through reorganization, has deemed to have adopted the capital structure of Thorium Power, Ltd.

Accordingly, all references to common shares of Thorium Power, Inc.'s common stock have been restated to reflect the equivalent number of Thorium Power, Ltd.'s common shares. In other words, the 4,325,447 Thorium Power, Inc. shares outstanding (net of the 210,119 shares held by Thorium Power Ltd. that were cancelled at the Merger date) are restated as 135,637,854 common shares, as of October 6, 2006. Each share of Thorium Power Inc. is restated to 31.36 shares of Thorium Power Ltd, which includes the shares issued to holders of non-compensatory options or warrants of Thorium Power, Inc. that had an exercise price of \$5.00 or \$1.00, as mentioned above.

A summary of assets and liabilities that, for accounting purposes, were deemed to have been acquired by Thorium Power, Inc. from Thorium Power Ltd, book value as of the date of acquisition (October 6, 2006) were as follows:

Total assets - consisting of cash of \$12,742,408, prepaid and other receivables, \$117,384	\$ 12,859,792
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Temporary Equity Transfer	(12,041,373)
Total Liabilities-consisting of warrant liabilities of \$3,080,024 and other payables	\$ (4,116,830)
Book Value of Thorium Power, Ltd. - transferred to stockholders equity	\$ (3,298,411)

For the purpose of disclosing the non-cash transactions for the statement of cash flows for the years ended December 31, 2006 and 2005, these assets acquired at book value represent the non-cash transactions. Also the company acquired \$12,742,408 of cash at the merger date (October 6, 2006). Due to this merger being recorded as a recapitalization of Thorium Power, Inc., this cash received was recorded as a financing activity on the Statement of Cash Flows.

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**Thorium Power, Ltd.**  
**(A Development Stage Company)**  
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In accordance with the Security and Exchange Commissions Staff Accounting Bulletin SAB.T.1B1, an allocation of expenses attributable to Thorium Power, Inc., was made to Thorium Power, Inc. from Thorium Power, Ltd. for periods prior to the merger date of October 6, 2006. The total expenses allocated to Thorium Power, Inc. up to October 6, 2006 (merger date) were \$7,477,700, which consisted of \$875,602 of general and administrative expenses and \$6,602,098 of stock based compensation from Thorium Power, Ltd. These total allocated expenses of approximately \$7.5 million were recorded as deemed capital contributions to Thorium Power Inc. by Thorium Power Ltd.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a) Consolidation

These financial statements include the accounts of Thorium Ltd (a Nevada corporation) and our wholly-owned subsidiaries, Thorium Power, Inc. (a Delaware corporation) and TP Acquisition Corp., (a Delaware corporation). Due to the accounting treatment of the reverse merger mentioned above, the operating results reported are those of Thorium Power Inc. from January 1, 2006 to October 6, 2006 and the operating results of Thorium Power Inc., Thorium Power Ltd and TP Acquisition Corp consolidated, from October 6, 2006 (merger date) to December 31, 2006.

All significant intercompany transactions and balances have been eliminated in consolidation.

### b) Use of Estimates

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Thorium Power, Ltd.**  
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**Notes to the Consolidated Financial Statements**  
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These consolidated financial statements include some amounts that are based on management's best estimates and judgments. The most significant estimates relate to valuation of stock grants, stock options and stock purchase warrants, allocation of certain expenses incurred by Thorium Power, Ltd. that were attributable to Thorium Power, Inc., accrued liquidation damages pursuant to the Registration Right Agreement for the May 4, 2006 private placement, and various contingent liabilities. These above-mentioned estimates and others may be adjusted as more current information becomes available, and any adjustment could be significant in future reporting periods.

c) Prior Year Reclassifications

Certain reclassifications have been made to our prior years' financial statements in order to conform to the current year presentation. On our Statement of Operations, certain general and administrative expenses were combined into the one expense caption called general and administrative expenses. These reclassifications had no effect on previously reported results of operations or accumulated deficit of Thorium Power, Inc.

d) Cash and Cash Equivalents

Cash and cash equivalents consists of cash on deposit, money market accounts, and investment grade commercial paper that are readily convertible into cash and purchased with original maturities of three months or less.

As part of its cash management program, the Company from time to time maintains a portfolio of marketable investment securities. The securities are investment grade and include tax and tax exempt securities and have a term to earliest maturity of less than 3 months. These marketable securities, classified as either available for sale, or trading securities are recorded at market value.

Concentration of Credit Risk

Cash in bank accounts is at risk to the extent that it exceeds Federal Deposit Insurance Corporation insured amounts. To minimize risk, the Company places its cash with high credit quality institutions. Substantially all cash is deposited in two prominent U.S. financial institutions.

Investment Securities

Trading and available-for-sale securities are recorded at fair value. Unrealized holding gains and losses on trading securities are included in the net income. Unrealized holding gains and losses, net of the related tax effect, on available for sale securities are excluded from net income and are reported as a separate component of other comprehensive income until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a specific-identification basis.

A decline in the market value of any available-for-sale security below cost that is deemed to be other-than-temporary results in a reduction in carrying amount to fair value. The impairment is charged as an expense to the statement of income and comprehensive income and a new cost basis for the security is established. To determine whether an impairment is other-than-temporary, the Company considers whether it has the ability and intent to hold the investment until a market price recovery and considers whether evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year end, and forecasted

performance of the investee.

e) Property and Equipment

Property, Plant and Equipment is comprised of an automobile, computer and office equipment and is stated at cost less accumulated depreciation. Depreciation of furniture, computer and office equipment is computed over the estimated useful life of the asset, generally five and seven years respectively, utilizing the double declining balance methodology. Depreciation for the leasehold improvements is computed using the straight-line method over the 5 year term of the lease. Upon disposition of assets, the related cost and accumulated depreciation are eliminated and any gain or loss is included in the statement of income. Expenditures for major improvements are capitalized. Maintenance and repairs are expensed as incurred.

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**Thorium Power, Ltd.**  
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f) Income Taxes

Income taxes are accounted for under the asset and liability method in accordance with SFAS No. 109 "Accounting for Income Taxes." Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance to the extent that the recoverability of the asset is unlikely to be recognized. The Company did not provide any current or deferred income tax provision or benefit for any periods presented to date because the Company has continued to experience a net operating loss since inception.

g) Stock-Based Compensation

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123R (FAS-123R), Share-Based Payment, which is a revision of Statement of Financial Accounting Standards No. 123 (FAS-123), Accounting for Stock-Based Compensation. In addition to requiring supplemental disclosures, FAS-123R addresses the accounting for share-based payment transactions in which a company receives goods or services in exchange for (a) equity instruments of the company or (b) liabilities that are based on the fair value of the company's equity instruments or that may be settled by the issuance of such equity instruments. FAS-123R focuses primarily on accounting for transactions in which a company obtains employee services in share-based payment transactions. The Statement eliminates the ability to account for share-based compensation transactions using Accounting Principles Board Opinion No. 25 (APB-25), Accounting for Stock Issued to Employees, and generally requires that such transactions be accounted for using a fair value based method. Accordingly, pro-forma disclosure is no longer an alternative.

Under FAS-123R, the Company is required to recognize compensation cost for the portion of outstanding awards previously accounted for under the provisions of APB-25 for which the requisite service had not been rendered as of the adoption date for this Statement. The Statement also requires companies to estimate forfeitures of stock compensation awards as of the grant date of the award.

A "modified prospective" method is used in which compensation cost is recognized beginning with the effective date (a) based on the requirements of FAS-123R for all share-based payments granted after the effective date and (b) based on the requirements of FAS-123 for all awards granted to employees prior to the effective date of FAS-123R that remain unvested on the effective date; or

The Company adopted FAS-123R on January 1, 2006, using the modified prospective method. The valuation of the stock issued to consultants for consulting services are valued as of the date of the agreements with the various consultants, which in all cases is earlier than the dates when the services are committed to be performed by the various consultants.

References to the issuances of restricted stock is stock issued to individuals whom are eligible to sell all or some of their shares of restricted common stock by means of ordinary brokerage transactions in the open market pursuant to Rule 144, promulgated under the Securities Act ("Rule 144"), subject to certain limitations. In general, pursuant to

Rule 144, a stockholder (or stockholders whose shares are aggregated) who has satisfied a one-year holding period may, under certain circumstances, sell within any three-month period a number of securities which does not exceed the greater of 1% of the then outstanding shares of common stock or the average weekly trading volume of the class during the four calendar weeks prior to such sale. Rule 144 also permits, under certain circumstances, the sale of securities, without any limitations, by a non-affiliate of our company that has satisfied a two-year holding period.

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h) Warrants

Warrants issued in conjunction with equity financing were accounted for under the Emerging Issues Task Force FSP ("EITF") Issue No. 00-19, 'Accounting for Derivative Financial Instruments Indexed to and Potentially Settled in a Company's Own Stock'. In December 2006, the FASB approved FSP EITF 00-19-2 Accounting for Registration Payment Arrangements, which establishes the standard that contingent obligations to make future payments under a registration rights arrangement shall be recognized and measured separately in accordance with Statement 5 and FASB Interpretation No. 14, Reasonable Estimation of the Amount of a Loss. The Company has currently evaluating the effect of how FSP EITF 00-19-2 and FSP EITF Topic D-98 will affect future financial statements. The adoption of this pronouncement on January 1, 2007 will change the classification of the warrant liability, \$1,132,440 at December 31, 2006, to equity (additional paid in capital).

i) Basic and Diluted Loss per Share

In accordance with Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standard No. 128 ("SFAS 128"), "Earnings Per Share", the basic loss per common share is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding. Diluted loss per common share is computed similar to basic loss per common share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. At December 31, 2006 and 2005, the Company stock equivalents were anti-dilutive and excluded in the loss per share computation.

j) Impairment Charges

Unlike goodwill and indefinite-lived intangible assets, the accounting rules do not provide for an annual impairment test in determining whether property, plant, and equipment and finite-lived intangible assets (e.g., patents) are impaired. Instead, they require that a triggering event occur before testing an asset for impairment. Examples of such triggering events include current-period operating or cash flow loss combined with a history of operating or cash flow losses, a significant disposal of a portion of such assets, an adverse change in the market involving the business employing the related asset, a significant decrease in the benefits realized from an acquired business, difficulties or delays in integrating the business and a significant change in the operations of an acquired business.

Once a triggering event has occurred, the impairment test employed is based on whether the intent is to hold the asset for continued use or to hold the asset for sale. If the intent is to hold the asset for continued use, the impairment test involves a comparison of undiscounted cash flows against the carrying value of the asset as an initial test. If the carrying value of such asset exceeds the undiscounted cash flow, the asset would be deemed to be impaired. Impairment would then be measured as the difference between the fair value of the fixed or amortizing intangible asset and the carrying value to determine the amount of the impairment. The Company generally determines fair value by using the discounted cash flow method. If the intent is to hold the asset for sale and certain other criteria are met (i.e., the asset can be disposed of currently, appropriate levels of authority have approved sale, and there is an actively pursuing buyer), the impairment test is a comparison of the asset's carrying value to its fair value less costs to sell. To the extent that the carrying value is greater than the asset's fair value less costs to sell, an impairment loss is recognized for the difference. The Company conducted an impairment test of its Patent at December 31, 2006 and determined that the future undiscounted cash flows associated with the Patent rights were sufficient to recover its carrying value. Assets held for sale are separately presented on the balance sheet and are no longer depreciated.

In November 2005, FASB issued FSP FAS 115-1 and FAS 124-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments (“FSP 115-1 and 124-1”), which clarifies when an investment is considered impaired, whether the impairment is other than temporary, and the measurement of an impairment loss. It also includes accounting considerations subsequent to the recognition of an other-than-temporary impairment and requires certain disclosures about unrealized losses that have not been recognized as other-than-temporary impairments. FSP 115-1 and 124-1 are effective for all reporting periods beginning after December 15, 2005. Implementation of these statements is not expected to have a significant impact on the Company's consolidated financial position or results of operations.

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**Thorium Power, Ltd.**  
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k) Comprehensive Income

Comprehensive income consists of net income and other gains and losses affecting shareholders' equity that, under generally accepted accounting principles are excluded from net income. For the Company, such items consist primarily of unrealized gains and losses on marketable debt securities, which the Company has classified as cash equivalents, as their maturities are three months or less.

l) Development Stage Enterprise

The Company's consolidated financial statements are prepared using the accrual method of accounting and according to the provisions of Statement of Financial Accounting Standards No. 7 ("SFAS 7"), "Accounting and Reporting for Development Stage Enterprises," as we are devoting substantially all of our efforts to developing our nuclear fuel designs. Until such designs are developed and significant revenue is derived from these nuclear fuel designs or other revenue sources, we will continue to prepare our consolidated financial statements and related disclosures in accordance with entities in the development stage.

m) Revenue Recognition

All of the Company's revenue to date from January 8, 1992 (Inception) to December 31, 2006 had been derived from licensing fees from nuclear industry commercial partners.

Once the company's Thorium nuclear fuel designs has advanced to a commercially usable stage the company will seek to license its technology to major government contractors or nuclear companies, working for the US and other governments. We expect that our revenue from license fees will be recognized on a straight-line basis over the expected period of the related license term.

Total subsidies and grants from the US government totaled approximately \$5.45 million, cumulative from January 8, 1992 (Inception) to December 31, 2006. These amounts were not paid to us but paid directly from the US government to third party research and development companies that worked on our nuclear project, as well as other projects.

n) Government Grants

Receipts of government grants to encourage research and development activities which are non-refundable will be credited to deferred income upon receipt. Government grants are used either for purchases of assets or to subsidize the research and development expenses incurred.

For purchases of assets, government grants are deducted from the carrying amount of the assets. For the research and development expenses, the Company matches and offsets the government grants with the expenses of the research and development activities as specified in the grant approval document in the corresponding period when such expenses incurred.

o) Segment Reporting

The Company uses the "management approach" in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Company's chief operating decision maker for

making operating decisions and assessing performance as the source for determining the Company's reportable segments. The Company has determined that the Company has one operating segment as defined by SFAS 131, "Disclosures about Segments of an Enterprise and Related Information".

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p) Commitments and Contingencies

Liabilities for loss contingencies arising from various claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated.

q) Recently Issued Accounting Standards

FASB Interpretation No. ("FIN") 48, Accounting for Uncertainty in Income Taxes--an Interpretation of FASB Statement No. 109. In July 2006, the FASB issued FIN 48, Accounting for Uncertainty in Income Taxes--an Interpretation of FASB Statement No. 109, which clarifies the accounting for uncertainty in tax positions. This Interpretation requires the Company recognize in its consolidated financial statements the impact of a tax position if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 are effective for the Company on January 1, 2007, with the cumulative effect of the change in accounting principle, if any, recorded as an adjustment to opening retained earnings. The Company does not believe FIN 48 will have an impact on its consolidated financial statements.

SFAS 157, Fair Value Measurements. In September 2006, the FASB issued SFAS 157, Fair Value Measurements, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements, where fair value is the relevant measurement attribute. The standard does not require any new fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is currently evaluating the impact of adopting SFAS 157 on its consolidated financial statements.

Staff Accounting Bulletin ("SAB") No. 108

In September 2006, the SEC issued SAB No. 108, which provides guidance on the process of quantifying financial statement misstatements. In SAB No. 108, the SEC staff establishes an approach that requires quantification of financial statement errors, under both the iron-curtain and the roll-over methods, based on the effects of the error on each of the Company's financial statements and the related financial statement disclosures. SAB No.108 is generally effective for annual financial statements in the first fiscal year ending after November 15, 2006. The transition provisions of SAB No. 108 permits existing public companies to record the cumulative effect in the first year ending after November 15, 2006 by recording correcting adjustments to the carrying values of assets and liabilities as of the beginning of that year with the offsetting adjustment recorded to the opening balance of retained earnings. Management does not expect that the adoption of SAB No.108 would have a material effect on the Company's consolidated financial statements.

The Company is currently evaluating the effect of other new accounting pronouncements on its future statements of financial position and results of operations.

r) Intangible Assets - Patents

Patents are stated in the balance sheet at cost less accumulated amortization. The costs of the patents are amortized on a straight-line basis over their estimated useful lives. The amortization period for our patents range between 17-20

years.

s) Retirement 401K Plan

We have a 401(k) savings plan that was set up in 2006 covering substantially all of our employees. Eligible employees may contribute through payroll deductions. There were no Company matching contributions made to the 401(k) savings plan in 2006.

3. Financial Status of the Company - December 31, 2006

Management anticipates, based on its current projected working capital requirements, that it will have enough working capital funds to sustain its current operations at its current operating level, until sometime during the first quarter of 2008. The Company will have future issuances of its stock or incur debt, in order to provide funds to continue its operations into 2008 and beyond.

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#### 4. Research and Development Costs

Research and development costs, included under the caption “general and administrative expenses” in the statement of operations amounted to \$34,400 and \$17,500 for the years ended December 31, 2006 and 2005, respectively and \$3,926,558 from January 8, 1992 (Inception) to December 31, 2006

#### 5. Property Plant and Equipment

The following represents the detail of the Company's property, plant and equipment at December 31, 2006 and 2005:

	2006	2005
Furniture, computer and office equipment	\$ 24,840	\$ 13,879
Automobile	22,217	22,217
<b>Total Cost</b>	<b>47,057</b>	<b>36,096</b>
Accumulated Depreciation	(25,767)	(14,881)
<b>Net Book Value</b>	<b>\$ 21,290</b>	<b>\$ 21,215</b>

Depreciation expense for the years ended December 31, 2006 and 2005 were \$10,886, and \$5,434, respectively.

#### 6. Intangible Assets - Patents

Patents represent legal fees and filing costs that are capitalized and amortized over their estimated useful lives of 17-20 years. There were no patents placed in service for the year ended December 31, 2006.

The following table summarizes the lives and carrying values of the Company's patents at December 31, 2006 and 2005:

	2006	2005
Patents	\$ 411,669	\$ 405,005
Accumulated Amortization	(193,794)	(193,794)
<b>Net Book Value</b>	<b>\$ 217,875</b>	<b>\$ 211,211</b>

Amortization expense of patents was \$- and \$17,270 for the years ended December 31, 2006 and 2005 and \$193,794 for the cumulative period from January 8, 1992 (Inception) to December 31, 2006.

#### 7. Stockholders' Equity

Total Common stock outstanding at December 31, 2006 was 293,101,546 (including 36,659,837 shares of common stock with registration rights). There were also 850,000 shares that were held as Treasury stock at December 31, 2006, bringing the total number of shares issued to 293,951,546. At December 31, 2006, there were 25,282,745 stock purchase warrants and 34,578,993 stock options outstanding, all totaling 352,963,284 of total stock and stock equivalents outstanding at December 31, 2006.



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a). Common Stock Issuances

**STOCK ISSUANCES PRIOR TO THE MERGER DATE (10/6/06)**

During the year ended December 31, 2006, Thorium Power Inc., sold 8,354,919 (equivalent to 326,010 shares of Thorium Power Inc) shares of common stock to 22 investors for \$1,539,678. Thorium Power, Inc. also sold, pursuant to the Merger Agreement, 4,164,518 shares (equivalent to 162,500 shares of Thorium Power Inc.) of common stock to Novastar, at a stock price of \$0.1561 per share (equivalent to \$4.00 per Thorium Power Inc share price), total proceeds of \$650,000. These shares were subsequently cancelled after the merger. Thorium Power, Inc., also received \$13,000 from the exercise of 333,161 stock options (equivalent to 13,000 Thorium Power Inc. stock options) at \$0.0435 per share (equivalent to \$1.00 price per Thorium Power Inc share). Total proceeds from the issuance of the above 12,852,598 shares (equivalent to 501,510 shares of Thorium Power Inc. was \$2,202,678. Thorium Power, Inc., also issued 26,268 shares (equivalent to 1,025 shares of Thorium Power Inc. common stock at \$0.1561 per share (equivalent to \$4.00 per stock price of Thorium Power Inc.) shares in repayment of a loan from a director, which totaled \$4,100. Thorium Power, Inc. also issued 512,556 shares (equivalent to 20,000 shares of Thorium Power Inc. common stock to directors, for director service rendered at \$0.2049 per share (equivalent to \$5.25 per Thorium Power Inc.) share price, total value of the services recorded was \$105,000. Thorium Power, Inc., was a private company, so the value of the stock issued for services was determined by the price paid by the investors mentioned above, where 21 out of the 22 of these investors paid \$0.2049 per share (equivalent to Thorium Power Inc. price of \$5.25 per share). There were also 16,659,275 (equivalent to 650,047 Thorium Power Inc. shares) of Thorium Power, Inc. shares issued to stock option holders, who exercised their stock options through the cashless exercise feature in accordance to their individual stock option agreements. All of these option holders had an exercise price of \$0.039 per share (equivalent to \$1.00 per Thorium Power Inc. share price and the numbers of shares issued in the cashless exercise were based on the market price of \$0.2049 per share (equivalent to Thorium Power Inc. \$5.25 per share).

**STOCK ISSUANCES-PURSUANT TO THE MERGER AGREEMENT-MERGER DATE - 10/6/2006**

On October 6, 2006, the Company completed the merger, as more fully described in note 1, and issued 135,637,854 shares of Thorium Power, Ltd., stock to the stockholders of Thorium Power, Inc. For accounting purposes, Thorium Power Inc. is the continuing accounting entity, therefore Thorium Power Inc. is deemed to have issued these shares to its stockholders pursuant to the Merger Agreement. An additional 307,534 shares were issued pursuant to the Merger Agreement, after the merger date, for Thorium Power, Inc. shareholders that were not reflected in the Thorium Power, Inc. stockholders list, at the merger date. This stock issuance of 307,534 shares was recorded as a stock settlement expense which totaled \$92,260, valued at the stock price of \$0.30 per share, valued at the date the Company was first made aware of these shares being outstanding, that were not accounted for in their stock records. The Company reviewed these share certificates and determined that they were valid stock certificates and settled this matter, post merger, by issuing the equivalent Thorium Power Ltd. shares to these stockholders.

**STOCK ISSUANCES AFTER THE MERGER DATE-After October 6, 2006**

The Board of Directors of the Thorium Power, Ltd. increased the size of the board to five members and appointed two Independent Directors: Jack D. Ladd and Daniel B. Magraw, Jr., as a members of the Board of Directors of the Company, effective October 23, 2006. Pursuant to terms of the Independent Director's Contracts, dated October 23, 2006, between Mr. Ladd and the Company and Mr. Magraw and the Company Mr. Ladd and Mr. Magraw will each receive a fee of \$20,000 per year in cash, as well as such number of restricted shares, issued quarterly, equal to \$5,000

each quarter, to be paid to each Director for the respective quarter based on the average closing price of the Company's common stock, as quoted on the trading market on which the Company's securities are traded, over the thirty day period prior to the first day of the applicable quarter. On December 27, 2006, a total of 22,050 shares were issued to the directors for their services. Additionally, the Director Contracts grant to Messrs. Ladd and Magraw for each year of service on the Board of Directors non-qualified options to purchase up to 500,000 shares of the common stock of the Company (the "Director Options"), which shall vest with respect to 13,889 shares on November 23, 2006 and the remaining 486,111 shares will subsequently vest in equal monthly installments of 13,889 shares on each one month anniversary of the grant until all shares underlying the Director Options have vested. The third independent Director, Victor Alessi, was appointed as a director in August, 2006 and received 500,000 stock options, term 5 years, vesting equally over 36 month period. On October 11, 2006, 182,291 shares were issued pursuant to a legal settlement. On November 6, 2006, 491,333 shares were issued, pursuant to a cashless stock option exercise of 140,953 shares, strike price was \$0.195 per share and market value of the stock was \$0.30 per share.

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In November, 2006 the company redeemed 3,008,990 shares of common stock from its two executive officers in order to satisfy the payroll tax withholding obligations of the Company owed on their stock based compensation.

b). Common Stock Buyback Program - Treasury Stock

On October 17, 2006, the Company announced that its Board of Directors authorized a share buyback program for an aggregate of \$1,000,000 over the next 12 months, with \$250,000 of stock to be repurchased immediately. At the discretion of the CEO Seth Grae, the Company may effect further share repurchases over the course of the year depending on valuation of the Company reflected in the share price. As of the date of this report 850,000 shares had been repurchased pursuant to this program at the average approximate price of \$0.30 per share. The Company valued all shares issued in the twelve month period ended December 31, 2006 using the traded quoted market price of the Company's common stock as of the applicable agreement date. These shares are being held as Treasury Stock as of December 31, 2006.

c). Common Stock Issued With Registration Rights - Temporary Equity

On May 4, 2006, the Company completed a private placement with certain investors in which it sold an aggregate of 36,659,837 units, consisting of 36,659,837 shares of its restricted common stock and 18,329,98 common stock purchase warrants for \$15,580,431. Each unit consists of one share of common stock and one-half of a non-transferable share purchase warrant. Each whole warrant entitles the holder of the warrant to acquire one additional share of common stock at a price of \$0.65 per share and expires twelve months from the closing date of the subscription expiration date or term subsequently extended 6 months.

Under the terms of the sale, the investors were granted registration rights in which the Company agreed to timely file a registration statement to register the common shares and the shares underlying the warrants, obtain effectiveness of the registration statement by the SEC on or before September 1, 2006, and maintain the effectiveness of this registration statement for a pre-set time thereafter. In the event the Company failed to timely perform under the registration rights agreement, the Company agreed to pay the investors liquidated damages in an amount equal to 2% of the aggregate amount invested by the investors for each 30-day period or pro rata for any portion thereof following the date by which the registration statement should have been effective. The initial registration statement was timely filed, however it was not declared effective by the SEC within the allowed time. Accordingly, the Company is liable to the investors for liquidated damages under the registration rights agreement. The Company recognized in other income and expenses, in its statements of operations under the caption Registration Rights Expense, an amount of approximately \$354,000 for unpaid liquidated damages at December 31, 2006.

The EITF is currently reviewing the accounting for securities with liquidated damages clauses as stated in EITF 05-04, The Effect of a Liquidated Damages Clause on a Freestanding Financial Instrument subject to EITF 00-19. There are currently several views as to how to account for this type of transaction and the EITF has not yet reached a consensus. In accordance with EITF 00-19, Accounting for Derivative Financial Instruments Indexed To, and Potentially Settled in the Company's Own Stock, and EITF 05-04, because of the potential liquidated damages for failure to obtain and maintain an effective registration statement is substantial, the value of the common stock subject to such registration rights should be classified as temporary equity. Additionally, in accordance with EITF 00-19 and the terms of the above warrants, the fair value of the warrants should be recorded as a liability, with an offsetting reduction to shareholders' equity. The warrant liability is initially measured at fair value using the Black Scholes option pricing model, and is then re-valued at each reporting date, with changes in the fair value reported as non-cash

charges or credits to earnings reported as gain/loss on fair value of warrant derivatives.

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The SEC concluded that under EITF 00-19, common stock and warrants subject to registration rights where significant liquidated damages could be required to be paid to the holder of the instrument in the event the issuer fails to maintain the effectiveness of a registration statement for a preset time period, the common stock subject to such liquidated damages does not meet the tests required for shareholders' equity classification, and accordingly must be reflected between liabilities and shareholders' equity in the balance sheet until the conditions are eliminated. In analyzing instruments under EITF 00-19, the likelihood or probability related to the failure to maintain an effective registration statement is not a factor.

Based on the above interpretation, as of May 4, 2006, the Company classified \$12,041,373 for the value of common stock subject to registration rights as temporary equity instead of shareholders' equity. In addition, the Company measured the initial fair value of the warrants on May 4, 2006 at \$3,539,058 and classified at that date the fair value of the warrants as warrant liability instead of shareholders' equity.

At the end of each reporting period, the value of these warrants is re-measured based on the fair value of the underlying shares, and changes to the warrant liability and related "gain or loss in fair value of the warrants" is recorded as a non-cash charge or credit to earnings. The warrant liability will be reclassified to shareholders' equity when the Company is no longer subject to all of its performance obligations under the registration rights agreement, or under FSP 00-19-2 as equity in 2007.

At December 31, 2006, the warrant liability decreased to \$1,132,440 due to changes in the fair value of the warrants. The fair value of the warrants was estimated using the Black Scholes option-pricing model, with the following assumptions for the year ended December 31, 2006: risk-free interest rate of 3.86% dividend yield of 0%, expected life of .9 year and volatility of 106% were used. We expect to reclassify this warrant liability, in accordance with FSP 00-19-2 to stockholders' equity, additional paid in capital, at January 1, 2007.

For the period ended October 6, 2006 to December 31, 2006, the non-cash gain on fair value of warrants, or deduction in warrant liability, was \$1,902,286. The gain recorded on the change in the fair value of derivative instruments was due principally to the decrease in the volatility factor used in the Black Scholes valuation of the warrants. The date range used to calculate this volatility factor was from January 5, 2006, date of announcement of Thorium Power, Ltd. and Thorium Power, Inc. merger, to December 31, 2006. The stock volatility factor for the fourth quarter of 2006 was low, as the stock trading price remained primarily at \$0.30 per share for this period of time. The non-cash gain on fair value of warrants, recorded as gain on fair value of warrant derivatives, has no effect on the Company's cash flows or liquidity.

d) Share-based Compensation

The Company has in place a stock-based compensation plan to reward for services rendered by officers, directors, employees and consultants. On July 17, 2006, the Company amended this stock plan. The Company has reserved 75,000,000 shares of common stock of its unissued share capital for the stock plan. Other limitations are as follows:

- i). No more than 37,500,000 options can be granted for the purchase of restricted common shares.
- ii). No more than 8,000,000 options can be granted to any one person.

- iii). No more than 5,000,000 options can be granted to any one person for the purchase of restricted common shares.

On January 1, 2006, the Company adopted FAS-123R. In March 2005, the SEC staff expressed their views with respect to FAS-123R in Staff Accounting Bulletin No. 107, Share-Based Payment (“SAB 107”). SAB 107 provides guidance on valuing options. The impact of adopting FAS-123R for the year ended December 31, 2006 was to record a non-cash compensation expense of \$2,184,001, of which \$937,619 was allocated prior to the merger from Thorium Power, Ltd. for services rendered on behalf of Thorium Power, Inc. . Prior to January 1, 2006, the Company accounted for share-based payments under the recognition and measurement provisions of APB Opinion No. 25, Accounting for Stock Issued to Employees (“APB 25”), and related Interpretations, as permitted by FAS-123. In accordance with APB 25, no compensation cost was required to be recognized for options granted that had an exercise price equal to the market value of the underlying common stock on the date of grant. The Company adopted FAS-123R using the modified-prospective-transition method. Under that transition method, compensation cost recognized in future interim and annual reporting periods includes: a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of FAS-123, and b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of FAS-123R.

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The adoption of FAS-123R had no effect on cash flow from operations or cash flow from financing activities for the three months ended September 30, 2006. FAS-123R requires the cash flows from tax benefits resulting from tax deductions in excess of the compensation cost recognized for those options (“excess tax benefits”) to be classified as financing cash flows. Prior to the adoptions of FAS-123R, excess tax benefits would have been classified as operating cash inflows. The Company has not recognized, and does not expect to recognize in the near future, any tax benefit related to stock-based compensation costs as a result of the full valuation allowance on our net operating loss carry forwards.

The Company recognizes share-based compensation expense for all service-based awards with graded vesting schedules on a straight-line basis over the requisite service period for the entire award. Initial accruals of compensation expense are based on the estimated number of shares for which requisite service is expected to be rendered. Estimates are revised if subsequent information indicates that forfeitures will differ from previous estimates, and the cumulative effect on compensation cost of a change in the estimated forfeitures is recognized in the period of the change.

For awards with service conditions and graded vesting that were granted prior to the adoption of FAS-123R, the Company estimates the requisite service period and the number of shares expected to vest and recognize compensation expense for each tranche on a straight-line basis over the estimated requisite service period of the award or over a period ending with an employee's eligible retirement date, if earlier. Adjustments to compensation expense as a result of revising the estimated requisite service period are recognized prospectively.

Total stock options outstanding at December 31, 2006 were 34,578,993 (22,567,242 were assumed by Thorium Power Inc. in accordance with the Merger Agreement with Thorium Power, Ltd. and remain outstanding) and 16,325,523 of these total options were vested at December 31, 2006.

Stock option transactions to the employees, directors, advisory board members and consultants are summarized as follows:

	2006	2005
<b>Stock Options Outstanding</b>		
Assumed by the Merger	22,567,242	-
Thorium Power Inc. Options Outstanding	12,011,751	-
Expired	-	-
Forfeited	-	-
Outstanding end of the year	34,578,993	-
Options exercisable at the end of the year	16,325,523	-

The above table includes options issued as of December 31, 2006 as follows:

- i). A total of 2,150,000 non-qualified 10 year options have been issued by Thorium Power, Ltd., to advisory board members at exercise prices of \$0.51 to \$0.64 per share.
- ii). A total of 5,500,000 non-qualified 5 year options have been issued to advisory board members at an exercise price of \$0.445 per share and a weighted average of \$0.445; and



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- iii). A total of 14,917,242 non-qualified 10 year options have been issued to directors and officers of the Company, at exercise prices of \$0.30 to \$0.80 per share. From this total, 7,200,000 options were issued to Chief Executive Officer who is also a director, on February 14, 2006, with a remaining contractual life of 9.1 years. All other options issued have a remaining contractual life ranging from 4.75 years to 9.9 years.

The following table provides certain information with respect to the above-referenced stock options that are outstanding and exercisable at December 31, 2006:

Exercise Prices	Stock Options Outstanding		Stock Options Vested	
	Weighted Average Remaining Contractual Life - Years	Number of Awards	Number of Awards	Weighted Average Exercise Price
\$0.16 - \$0.20	3.1	6,650,415	6,650,415	\$ 0.16
\$0.30-\$0.39	1.2	6,853,578	4,478,277	\$ 0.37
\$0.45-\$0.51	7.2	11,875,000	1,627,085	\$ 0.48
\$0.64-\$0.80	9.2	9,200,000	2,083,334	\$ 0.77
Total	5.9	34,578,993	16,325,523	\$ 0.48

Assumptions used in the Black Scholes option-pricing model are as follows:

The aggregate intrinsic value of stock options outstanding at December 31, 2006 was \$931,058 of which \$931,058 relates to vested awards. Intrinsic value is calculated based on the difference between the exercise price of the underlying awards and the quoted price of our common stock as of the reporting date (\$0.30 per share as of December 31, 2006)

	December 31, 2006
Average risk-free interest rate	4.18% - 4.45%
Average expected life	5 years
Expected volatility	108% - 275%
Expected dividends	0%

During the year ended December 31, 2006, \$9,131,746 was recorded as stock-based compensation expense in the statement of operations. The result of all the above stock option grants that occurred after January 1, 2006 for Thorium Power Inc and stock option grants for Thorium Power Ltd that were recorded in the statement of operations totaled \$2,719,496 (non-deductible for tax purposes, may provide a tax deduction for the Company when exercised). Stock compensation to executive officers totaled \$6,138,250, one bonus at year end recorded to common stock reserved for issuance totaled \$1,200,000, and the other stock compensation to officers in accordance with their employment agreements totaled \$4,938,250. From this total amount of stock-based compensation of \$9,131,746, \$6,602,098 was recorded on Novastar Resources Ltd. books for the period January 1, 2006 to October 6, 2006, but all of this

compensation amount was incurred for Thorium Power Inc.'s benefit, thus allocated to Thorium Power Inc. statement of operations for the year ended December 31, 2006. The remaining stock-based compensation expense was to directors of \$105,000 and the amortization of deferred stock compensation of \$169,000. Some volatility factors used by Novastar, for five option grants in its fiscal year ended June 30, 2006 calculated the volatility factor for Black Scholes using the term of the option, which is general practice, not from the announcement date of the merger, January 5, 2006, which was later determined to be a more applicable date range due to the announcement date being the date the stock market reflected the merger in the valuation of the Company's stock. This difference in these volatility factors for these five option grants is not material to these financial statements, therefore, no current adjustment to the volatility factors was made to these financial statements for these five option grants and we have decided to continue to use these factors for future expense recognition of options under SFAS #123R.

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## e). Warrants

During the year ended December 31, 2006, there were 25,282,745 warrants outstanding as of December 31, 2006.

At December 31, 2006 the range of warrant prices for shares under warrants and the weighted-average remaining contractual life are as follows:

Warrants - Exercise Price	Warrants Outstanding and Exercisable Number of Warrants	Weighted Average Remaining Contractual Life - Years
\$0.30 (Assumed from Thorium Power Ltd.)	2,104,999	.4
\$0.39	2,743,662	.6
\$0.50 (Assumed from Thorium Power Ltd.)	2,104,166	.8
\$0.65 (Assumed from Thorium Power Ltd.)	18,329,918	.9
Total	25,282,745	

The investors in the November 23, 2005, March 30, 2006 and May 4, 2006 private placements received detachable warrants for the purchase of 2,104,999, 2,104,166 and 18,329,918 shares of common stock, respectively, which were valued at \$127,467, \$281,117 and \$3,539,058, respectively. For purposes of estimating the intrinsic fair value of each warrant as of dates of the private placements, the Company utilized the Black Scholes option-pricing model. The Company estimated the fair value of the warrants assuming no expected dividends and the following weighted-average assumptions:

	December 31, 2006
Average risk-free interest rate	2.86% - 4.30%
Average expected life	1 year
Expected volatility	142% - 153%
Expected dividends	0%

On November 17, 2006 the Board of Directors of Thorium Power, Ltd., authorized the extension of the expiration date of all common stock purchase warrants above by six months from the expiration date identified on the respective warrants. This extension of the warrant terms resulted in an expense of \$963,387, recorded under the caption warrant expense in the statement of operations in the category other income and expenses.

## f). Common Stock and Warrants reserved for Future Issuance

Common stock and warrants reserved for future issuance consists of:

**Shares of                      Stock**

	<b>Common Stock</b>	<b>Purchase Warrants</b>	<b>Amount</b>
Stock-based Compensation	4,000,000	0	\$ 1,200,000

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The Compensation Committee of the Board of Directors on December 18, 2006 had unanimously voted to issue 4 million shares of restricted stock as a year end 2006 bonus to its CEO and Executive VP of International Nuclear Operations. The price to value these shares was the market price as of the date of the stock grant. In a subsequent capital transaction, in order for the company to remit the required payroll tax obligations related to this stock grant to the Federal and State taxing authorities, the Company redeemed 1,620,000 shares of this stock grant from the two executives, at a price of \$0.20 per share (price determined by applying a lack of marketability discount). The Company, in January 2007, paid a total of \$347,690 for primarily payroll tax withholdings (as a result of redeeming 1,620,000 shares of stock) and payroll tax expense due on these stock compensation issuances.

#### 8. Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities recognized for financial reporting and the amounts recognized for income tax purposes. The significant components of deferred tax assets (at a 40% effective tax rate) as of December 31, 2006 are as follows:

<b>Assets</b>	<b>Total Amount</b>	<b>Deferred Tax Asset Amount</b>
Stock-based compensation	\$ 2,719,496	\$ 1,087,798
Approximate net operating loss	24,458,493	9,783,397
Less: valuation allowance	(27,177,989)	(10,871,196)
	<b>\$ -</b>	<b>\$ -</b>

Management believes that it is more likely than not that the forecasted taxable income will not be sufficient to utilize the tax carryforwards of approximately \$24,458,493, before its expiration in 2012 and 2026 to fully recover the asset. As a result, the amount of the deferred tax assets considered realizable was reduced 100% by a valuation allowance. In the near term, if estimates of future taxable income are increased, such an increase will change the valuation allowance. The Company has no other deferred tax assets or liabilities.

#### 9. Research Agreement

The Company is party to an agreement whereby all of its current research is being performed by the Russian Research Centre, known as the Kurchatov Institute ("RRC"), on the Company's fuel designs. All the funding under this agreement is supplied by the Company. As of March 12, 2007, the Company fulfilled all of its financial obligations under that agreement.

The Company is now in the final stage of negotiations over a new Cooperative Research Agreement (CRA) with an entity closely affiliated with the Russian Atomic Energy Agency (RosAtom) that will provide a necessary legal mechanism for the next phase of research and demonstration activities leading to lead test assembly testing in an operating VVER-1000 reactor in Russia. The initial scope of work under the new CRA is expected to cost approximately \$5,000,000 over a 15 month period.

#### 10. Commitments and Contingencies

##### Firm Price Commitments

The Company entered into a firm price commitment agreement with the University of Texas of the Permian Basin (“UTPB”), in connection with its participation in the pre-conceptual design phase for the construction of a high-temperature test and research reactor in Texas. The agreement had created a commitment by the Company for a minimum of \$1.25 million financial contribution toward the project. A minimum payment of \$50,000 on the agreement was due and paid on February 22, 2006, with 10 additional conditional contributions totaling \$1.2 million due by December 31, 2006. A total of \$550,000 has been paid as of December 31, 2006 and these amounts were recorded as donations, under the caption general and administrative expenses.

The terms of this agreement allow either party to terminate the agreement at any time upon giving written notice of termination. The Company, after having further detailed discussions with UTPB regarding the use of the \$550,000 donations that were made to UTPB in 2006 and the terms of the agreement, it was understood between the parties that if future donations were to be given, they would be given at the discretion of Thorium Power based on the future use of these funds. Therefore, it is management's assessment and opinion, that under the terms of this agreement, the Company has no further obligations to fund the additional \$675,000 to UTPB project; any future funding will be made at the discretion of Thorium Power, subject to the condition that the proceeds are directed by UTPB to the Company's nuclear research or other development work related to its Thorium based fuel designs, as agreed to by the parties.

**Thorium Power, Ltd.**  
**(A Development Stage Company)**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2006**

Lease Commitments

i) The Company leases office space. Future estimated rental payments under these operating leases are as follows:

	<b>Dollars</b>
Year ending December 31, 2007	\$ 70,000
Year ending December 31, 2008	\$ 35,000

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The Company has employment agreements with its executive officers, the terms of which expire at various times. Such agreements provide for minimum compensation levels, as well as incentive bonuses that are payable if specified management goals are attained. Under each of the agreements, in the event the officer's employment is terminated (other than voluntarily by the officer or by the Company for cause or upon the death of the officer), the Company, if all provisions of the employment agreements are met, is committed to pay certain benefits, including specified monthly severance.

**THORIUM POWER, LTD.**

**112,544,149 shares of common stock**

**PROSPECTUS**

\_\_\_\_\_, 2007

Dealer Prospectus delivery obligation

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Until 90 days from the date of this prospectus, all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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## PART II

### INFORMATION NOT REQUIRED IN THE PROSPECTUS

#### Item 24. Indemnification of Directors and Officers

##### Limitation of Liability of Directors, Officers and Others

Section 78.7502 of the Nevada Revised Statutes provides:

Discretionary and mandatory indemnification of officers, directors, employees and agents: General provisions.

1. A corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, except an action by or in the right of the corporation, by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with the action, suit or proceeding if he acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, does not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and that, with respect to any criminal action or proceeding, he had reasonable cause to believe that his conduct was unlawful.

2. A corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture trust or other enterprise against expenses, including amounts paid in settlement and attorneys' fees actually and reasonably incurred by him in connection with the defense or settlement of the action or suit if he acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation. Indemnification may not be made for any claim, issue or matter as to which such a person has been adjudged by a court of competent jurisdiction after exhaustion of all appeals therefrom, to be liable to the corporation or for amounts paid in settlement to the corporation unless and only to the extent that the court in which the action or suit was brought or other court of competent jurisdiction determines upon application that in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper.

3. To the extent that a director, officer, employee or agent of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections 1 and 2, or in defense of any claim, issue or matter therein, the corporation shall indemnify him against expenses, including attorneys' fees, actually and reasonably incurred by him in connection with the defense.

Pursuant to Thorium Power's Certificate of Incorporation and Bylaws, the Company shall indemnify, to the full extent and in the manner permitted under the laws of Nevada and any other applicable laws, any person made or threatened to be made a party to an action or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that he is or was a director or officer of this corporation or served any other enterprise as a director or officer at the request of this corporation; such right of indemnification shall also be applicable to the executors, administrators and other similar legal representative of any such director or officer, but the foregoing rights of indemnification shall

not be deemed exclusive of any other rights to which any director or officer or his legal representative may be entitled apart from the provisions of the Certificate of Incorporation and Bylaws.

**Item 25. Other Expenses of Issuance and Distribution**

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by us in connection with the sale of common stock being registered. All amounts, other than the SEC registration fee and the NASD fee, are estimates. We will pay all these expenses.

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	<b>Amount to be Paid</b>
SEC Registration Fee	\$ 5,765.12
Printing Fees and Expenses	1,000
Legal Fees and Expenses	150,000
Accounting Fees and Expenses	30,000
Miscellaneous	3,000
Total	\$ 189,765.12

## **Item 26. Recent Sales of Unregistered Securities**

During the last three years, we have issued the below listed unregistered securities. None of these transactions involved any underwriters, underwriting discounts or commissions, except as specified below, or any public offering, and we believe that each transaction was exempt from the registration requirements of the Securities Act by virtue of Section 4(2) thereof and/or Regulation D promulgated thereunder. The Company believes that the various issuances described below were to "accredited investors". The Company valued all shares issued to consultants using quoted exchange amounts of the Company's common stock as of the measurement date.

During the three month period ended March 31, 2005, the Company issued 20,000,000 common shares upon the conversion of \$1,000,000 in debt owed by the Company to such person. These stock issuances were exempt from registration pursuant to Section 4(2) of the Securities Exchange Act of 1933.

During the three month period ended June 30, 2005, the Company issued 16,100,000 common shares to consultants for consulting services provided to the Company with value of \$1,144,000. These stock issuances were exempt from registration pursuant to Section 4(2) of the Securities Exchange Act of 1933.

During the three month period ended June 30, 2005 the Company issued 11,600,000 common shares to consultants for consulting services provided to the Company with a value of \$1,595,500. These stock issuances were exempt from registration pursuant to Section 4(2) of the Securities Exchange Act of 1933.

On August 3, 2005, the Company issued 800,000 restricted shares of common stock to its advisory board as compensation for consulting services performed. The value attributed to these shares was \$128,000 (\$0.16 per share). These stock issuances were exempt from registration pursuant to Section 4(2) of the Securities Exchange Act of 1933.

On September 22, 2005, the Company issued a total of 4,187,500 shares of common stock to outside consultants as payment for services rendered. Of the total issuance, 4,000,000 were issued pursuant to the March 2005 Compensation Plan, while 187,500 were issued pursuant to the August 2005 Augmented Compensation Plan. The value attributed to these shares was \$462,828 (\$0.11 per share). These stock issuances were exempt from registration pursuant to Section 4(2) of the Securities Exchange Act of 1933.

On September 30, 2005, the Company issued 300,000 shares of common stock to an outside consultant as payment for services rendered. These shares were issued pursuant to the August 2005 Augmented Compensation Plan and the value attributed was \$51,000 (\$0.17 per share). These stock issuances were exempt from registration pursuant to Section 4(2) of the Securities Exchange Act of 1933.

On October 21, 2005, the Company issued 1,000,000 restricted common shares with value of \$160,000 (\$0.16 per share) for mineral property acquisition costs. These stock issuances were exempt from registration pursuant to Section 4(2) of the Securities Exchange Act of 1933.

On November 1, 2005, the Company issued 300,000 shares of common stock to an outside consultant as payment for his services rendered. These shares were issued pursuant to the August 2005 Augmented Compensation Plan and the value attributed to these shares was \$51,000 (\$0.17 per share). These stock issuances were exempt from registration pursuant to Section 4(2) of the Securities Exchange Act of 1933.

On November 23, 2005, the Company closed a private placement of \$631,500, consisting of an offering of 4,209,998 units of at a price of \$0.15 per unit. Each unit consists of one common share and one-half of a non-transferable share purchase warrant. Each of the unexercised warrants issued in this private placement have now expired and are no longer included in this registration statement. However, prior to expiration, each warrant entitled the holder thereof to acquire one additional share of common stock at a price of \$0.30 per share and have an expiry date of twelve months from the closing date of the subscription. Of the 4,209,998 units issued in the private placement, 249,999 units were issued as settlement of debt of \$37,500. The remainder of the units were issued for total cash proceeds of \$594,000. As a result of the foregoing, the Company 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.

On December 1, 2005, the Company issued 4,158,333 shares of common stock to various outside consultants as payment for services rendered. The total issuance was pursuant to the August 2005 Augmented Compensation Plan. The value attributed to these shares was \$706,916 (\$0.17 per share). These stock issuances were exempt from registration pursuant to Section 4(2) of the Securities Exchange Act of 1933.

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On December 1, 2005, the Company issued 1,000,000 shares of common stock to an outside consultant as payment for his services rendered. The value attributable to these shares was \$150,000 (\$0.15 per share). These stock issuances were exempt from registration pursuant to Section 4(2) of the Securities Exchange Act of 1933.

On December 1, 2005, the Company issued 300,000 shares of common stock to an outside consultant as payment for his services rendered. These shares were issued pursuant to the August 2005 Augmented Compensation Plan and the value contributed to these shares was \$51,000 (\$0.17 per share). These stock issuances were exempt from registration pursuant to Section 4(2) of the Securities Exchange Act of 1933.

On January 9, 2006 the Company issued 355,714 shares of common stock to 3West LLC for drilling services in the Clay County District of Alabama. These shares were issued pursuant to a drilling agreement at \$0.293 per share for total consideration of \$104,173. These stock issuances were exempt from registration pursuant to Section 4(2) of the Securities Exchange Act of 1933.

On January 11, 2006 the Company issued 3,100,000 shares of common stock to various outside consultants as payment for services rendered. The total issuance was pursuant to the August 2005 Augmented Compensation Plan. The value attributed to these shares was \$527,000 (\$0.17 per share). These stock issuances were exempt from registration pursuant to Section 4(2) of the Securities Exchange Act of 1933.

On January 24, 2006 the Company issued 181,428 shares of common stock to 3West LLC for drilling services in the Clay County District of Alabama. The shares were issued pursuant to a drilling agreement at \$0.293 per share for total consideration of \$53,132. These stock issuances were exempt from registration pursuant to Section 4(2) of the Securities Exchange Act of 1933.

On January 27, 2006 the Company issued 150,000 shares of common stock to an outside consultant as payment for his services rendered. The value attributed to these shares was \$94,500 (\$0.63 per share). These stock issuances were exempt from registration pursuant to Section 4(2) of the Securities Exchange Act of 1933.

On February 2, 2006 the Company issued 135,545 shares of common stock to 3West LLC for drilling services in the Clay County District of Alabama. The shares were issued pursuant to a drilling agreement at \$0.293 per share for total consideration of \$39,695. These stock issuances were exempt from registration pursuant to Section 4(2) of the Securities Exchange Act of 1933.

On February 13, 2006 the Company issued 2,389,558 shares of common stock to an outside consultant as payment for services rendered, and a portion for services to be rendered. The value attributed to these shares was \$955,823 (\$0.40 per share). These stock issuances were exempt from registration pursuant to Section 4(2) of the Securities Exchange Act of 1933.

On February 14, 2006, we completed a private placement with a number of institutional and accredited investors. The aggregate number of units purchased by all investors in connection with this private placement was 4,208,331 units 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 our common stock and one-half of one share of common stock purchase warrant. The unexercised warrants issued in this private placement have expired and are no longer included in this registration statement. However, prior to expiration, each whole warrant was non transferable and entitled the holder to purchase one additional share of common stock of the Company for a period of 12 months after the closing date of the offering at a price per warrant share of \$0.50.

On June 6, 2006, the Company granted an incentive option for the purchase of 525,000 shares of common stock of the Company to an officer pursuant to the Company's Amended and Restated 2006 Stock Option Plan (the "Plan"). The Company also agreed to issue by June 12, 2006, 75,000 shares of the Company's common stock, subject to the

restrictions in the Employment Agreement. These stock issuances were exempt from registration pursuant to Section 4(2) of the Securities Exchange Act of 1933.

On June 13, 2006, the Company granted to an officer, pursuant to the Plan, a non-qualified option for the purchase of 350,000 shares of common stock of the Company. The Company also agreed to issue 75,000 shares of the Company's common stock by June 20, 2006, subject to the restrictions in the Consulting Agreement. These stock issuances were exempt from registration pursuant to Section 4(2) of the Securities Exchange Act of 1933.

On June 12, 2006, the Company issued 3,000,000 shares of common stock of the Company to Green Eagle Capital Corp., for services provided to the Company, for Strategic Planning, pursuant to a verbal agreement between Green Eagle Capital Corp. and the Company. These stock issuances were exempt from registration pursuant to Section 4(2) of the Securities Exchange Act of 1933.

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Pursuant to the agreements with Mr. Gelband, we 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, we 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, we 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, we 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.

On May 4, 2006, we completed a private placement of 36,659,837 Units at a price of \$0.425 per Unit with a number of institutional investors, including Magnetar Capital Master Fund, Ltd., clients of Wellington Management Company, LLP, clients of Highfields Capital Management LP, clients of Cumberland Associates LLC, SF Capital Partners Ltd., Sunrise Equity Partners, L.P., and several other institutional investors as well as several accredited individual investors for total proceeds of \$15,580,434.20. Each Unit consists of one share of our common stock and one-half of one purchase warrant. Each whole purchase warrant is non transferable and entitles the holder to purchase one additional share of our common stock for a period of 12 months at a price per share of \$0.65. The expiration of the warrants was subsequently extended to a period of 18 months from the date of the closing of the private placement.

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. We 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, we 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 27. Exhibits and Financial Statement Schedules**

The following exhibits are included as part of this Form SB-2.

<i><b>Exhibit Number</b></i>	<i><b>Description</b></i>
3.1	Articles of Incorporation (incorporated by reference from the Company's Registration Statement on Form 10-SB filed on December 17, 1999).
3.2	By-laws (incorporated by reference from the Company's Current Report on Form 8-K filed on September 18, 2006).
4.1	2005 Compensation Plan for Outside Consultants of Custom Brand Networks, Inc. dated March 1, 2005 (incorporated by reference from the Company's Registration Statement on Form S-8 filed on March 10, 2005).
4.2	2005 Augmented Compensation Plan for Outside Consultants of the Company dated August 15, 2005 (incorporated by reference from the Company's Registration Statement on Form S-8 filed on August 19, 2005).
4.3	2006 Stock Plan (incorporated by reference to Exhibit 10.1 of the current report of the Company on Form 8-K filed February 21, 2006)

- 5\* Opinion of Thelen Reid Brown Raysman & Steiner LLP, as to the validity under Nevada law of the Securities being registered hereunder
  - 10.1 Consulting Agreement dated October 15, 2004 between Custom Branded Networks, Inc. and Walter Doyle (incorporated by reference from the Company's Registration Statement on Form S-8 filed on October 19, 2004).
  - 10.2 Consulting Agreement dated October 15, 2004 between Custom Branded Networks, Inc. and Adam Harrison (incorporated by reference from the Company's Registration Statement on Form S-8 filed on October 19, 2004).
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- 10.3 Consulting Agreement dated October 15, 2004 between Custom Branded Networks, Inc. and Tim Lelek (incorporated by reference from the Company's Registration Statement on Form S-8 filed on October 19, 2004).
- 10.4 Consulting Agreement dated October 15, 2004 between Custom Branded Networks, Inc. and Bruce Fearn (incorporated by reference from the Company's Registration Statement on Form S-8 filed on October 19, 2004).
- 10.5 Compensation Agreement dated October 15, 2004 between Custom Branded Networks, Inc. and Paul G. Carter (incorporated by reference from the Company's Registration Statement on Form S-8 filed on October 19, 2004).
- 10.6 Consulting Agreement dated January 24, 2005 between Custom Branded Networks, Inc. and Walter Doyle (incorporated by reference from the Company's Registration Statement on Form S-8 filed on January 27, 2005).
- 10.7 Consulting Agreement dated January 24, 2005 between Custom Branded Networks, Inc. and Sanjeev Pamnani (incorporated by reference from the Company's Registration Statement on Form S-8 filed on January 27, 2005).
- 10.8 Consulting Agreement dated January 24, 2005 between Custom Branded Networks, Inc. and Seth Shaw (incorporated by reference from the Company's Registration Statement on Form S-8 filed on January 27, 2005).
- 10.9 Assignment of Specific Mineral Rights dated September 14, 2005 between American Graphite Holdings and the Company (incorporated by reference from the Company's Current Report on Form 8-K filed on October 11, 2005).
- 10.10 Amendment No. 1, dated March 5, 2006, to Assignment of Specific Mineral Rights between American Graphite Holdings and the Company (incorporated by reference from Exhibit 10.10 of the initial filing of this Registration Statement on Form S-4 filed June 14, 2006).
- 10.11 Mining Acquisition Agreement dated September 30, 2005 between Walter Doyle and the Company (incorporated by reference from the Company's Current Report on Form 8-K filed on October 11, 2005).
- 10.12 Amendment No. 1, dated March 5, 2006, to Mining Acquisition Agreement between Walter Doyle and the Company (incorporated by reference from Exhibit 10.12 of the Company's Registration Statement on Form S-4 filed June 14, 2006).
- 10.13 Agreement and Plan of Merger dated as of February 14, 2006, between Novastar Resources Ltd., TP Acquisition Corp. and Thorium Power, Inc. (incorporated by reference from the Company's Current Report on Form 8-K filed on June 13, 2006).
- 10.14 Amendment No. 1, dated June 9, 2006, to Agreement and Plan of Merger between Novastar Resources Ltd., TP Acquisition Corp. and Thorium Power, Inc. (incorporated by reference to Exhibit 10.1 of the current report of the Company on Form 8-K filed June 13, 2006).
- 10.15 Employment Agreement, dated as of February 14, 2006, between the Company and Seth Grae (incorporated by reference to Exhibit 10.2 of the current report of the Company on Form 8-K filed February 21, 2006)
- 10.16 Stock Option Agreement, dated as of February 14, 2006, between the Company and Seth Grae (incorporated by reference to Exhibit 10.3 of the current report of the Company on Form 8-K filed February 21, 2006)
- 10.17 Subscription Agreement, dated as of February 14, 2006, between the Company and Thorium Power (incorporated by reference to Exhibit 10.4 of the current report of the Company on Form 8-K filed February 21, 2006)
- 10.18 Amended and Restated Consulting Agreement, dated February 6, 2006, between the Company and Alan Gelband (incorporated by reference to Exhibit 10.5 of the current report of the Company on Form 8-K filed February 21, 2006)
- 10.19 Form of Subscription Agreement between the Company and the investors in the private placement closed on February 14, 2006 (incorporated by reference to Exhibit 10.6 of the current report of the Company on Form 8-K filed February 21, 2006)

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- 10.20 Assignment of Minerals Lease, dated December 31, 2005, between CM Properties and the Company (incorporated by reference to Exhibit 10.1 of the current report of the Company on Form 8-K filed January 10, 2006)
- 10.21 Amendment No. 1 to Assignment of Minerals Lease, dated March 5, 2006 between CM Properties and the Company (incorporated by reference from Exhibit 10.21 of the initial filing of this Registration Statement on Form S-4 filed June 14, 2006).
- 10.22 Office Service Renewal Agreement, dated September 21, 2005, between Tysons Business Center, LLC and Thorium Power (incorporated by reference from Exhibit 10.22 of the initial filing of this Registration Statement on Form S-4 filed June 14, 2006).
- 10.23 Sublease Agreement, dated May 28, 2004, between Thorium Power and Carmen & Muss, P.L.L.C. (incorporated by reference from Exhibit 10.23 of the initial filing of this Registration Statement on Form S-4 filed June 14, 2006).
- 10.24 Office Building Lease, dated August 14, 2001, between Washington Real Estate Investment Trust and Thorium Power (incorporated by reference from Exhibit 10.24 of the initial filing of this Registration Statement on Form S-4 filed June 14, 2006).
- 10.25 Teaming Agreement dated February 22, 2006 between The University of Texas System, The University of Texas of the Permian Basin, The University of Texas at Austin, The University of Texas at Arlington, The University of Texas at Dallas, The University of Texas at El Paso, The City of Andrews, Texas, Andrews County, Texas, the Midland Development Corporation, the Odessa Development Corporation, Thorium Power and General Atomics (incorporated by reference from Exhibit 10. the Company's Registration Statement on Form S-4 filed June 14, 2006).
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- 10.26 Amendment No. 1 to Amended and Restated Consulting Agreement, dated June 12, 2006, among the Company, Alan Gelband and Alan Gelband Company, Inc. (incorporated by reference to Exhibit 10.1 of the current report of the Company on Form 8-K filed June 13, 2006).
- 10.27 Employment Agreement, dated June 6, 2006, between the Company and Cornelius J. Milmoie (incorporated by reference to Exhibit 10.1 of the current report of the Company on Form 8-K filed June 13, 2006).
- 10.28 Stock Option Agreement, dated June 6, 2006, between the Company and Cornelius J. Milmoie (incorporated by reference to Exhibit 10.1 of the current report of the Company on Form 8-K filed June 13, 2006).
- 10.29 Consulting Agreement, dated June 12, 2006, between the Company and Larry Goldman (incorporated by reference to Exhibit 10.1 of the current report of the Company on Form 8-K filed June 13, 2006).
- 10.30 Stock Option Agreement, dated June 12, 2006, between the Company and Larry Goldman (incorporated by reference to Exhibit 10.1 of the current report of the Company on Form 8-K filed June 13, 2006).
- 10.31 Office Service Agreement, dated April 19, 2006, between Tysons Business Center LLC and the Company (incorporated by reference from Exhibit 10.31 the Company's Registration Statement on Form S-4 filed June 14, 2006).
- 10.32 Employment Agreement, dated July 27, 2006, between the Company and Andrey Mushakov (incorporated by reference to Exhibit 10.1 of the current report of the Company on Form 8-K filed August 4, 2006).
- 10.33 Stock Option Agreement, dated July 27, 2006, between the Company and Andrey Mushakov (incorporated by reference to Exhibit 10.2 of the current report of the Company on Form 8-K filed August 4, 2006).
- 10.34 Employment Agreement, dated July 27, 2006, between the Company and Thomas Graham, Jr. (incorporated by reference to Exhibit 10.3 of the current report of the Company on Form 8-K filed August 4, 2006).
- 10.35 Stock Option Agreement, dated July 27, 2006, between the Company and Thomas Graham, Jr. (incorporated by reference to Exhibit 10.4 of the current report of the Company on Form 8-K filed August 4, 2006).
- 10.36 Amendment No. 2, dated August 8, 2006, to Agreement and Plan of Merger between Novastar Resources Ltd., TP Acquisition Corp. and Thorium Power, Inc. (incorporated by reference to Exhibit 10.1 of the Company's current report on Form 8-K filed August 9, 2006).
- 10.37 Independent Director Contract, dated August 21, 2006, between the Company and Victor Alessi (incorporated by reference to Exhibit 10.1 of the current report of the Company on Form 8-K filed August 25, 2006).
- 10.38 Stock Option Agreement, dated August 21, 2006, between the Company and Victor Alessi (incorporated by reference to Exhibit 10.2 of the current report of the Company on Form 8-K filed August 25, 2006).
- 10.39 Independent Director's Contract, dated October 23, 2006, between Thorium Power, Ltd. and Jack D. Ladd (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on October 23, 2006).
- 10.40 Independent Director's Contract, dated October 23, 2006, between Thorium Power, Ltd. and Daniel B. Magraw (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed on October 23, 2006).
- 10.41 Employment Agreement, dated February 1, 2007, between the Company and Erik Hallstrom (incorporated by reference to Exhibit 10.1 of the current report of the Company on Form 8-K filed February 1, 2007).
- 10.42 Restricted Stock Grant Agreement, dated April 12, 2007, between Erik Hällström and Thorium Power, Ltd. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on April 18, 2007).
- 10.43 Stock Option Agreement, dated April 12, 2007, between Erik Hällström and Thorium Power, Ltd. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed on April 18, 2007).
- 14.1

Code of Ethics (incorporated by reference from the Company's Annual Report on Form 10-KSB filed on November 25, 2005).

- 16.1 Letter from Morgan and Company dated September 14, 2005 regarding change in independent accountant (incorporated by reference from the Company's Current Report on Form 8-K filed on October 11, 2005).
- 23.1\* Consent of Thelen Reid Brown Raysman & Steiner LLP (included in Exhibit 5)
- 23.2\* Consent of Child, Van Wagoner & Bradshaw, PLLC

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\* Filed herewith

### **Item 28. Undertakings**

The undersigned registrant hereby undertakes to:

File, during any period in which offers or sales are being made, a post-effective amendment to this registration statement to:

- (a) Include any prospectus required by Section 10(a)(3) of the Securities Act, and
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(b) Reflect in the prospectus any facts or events which, individually or together, represent a fundamental change in the information in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of the securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) under the Securities Act if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement, and

(c) Include any additional or changed material information on the plan of distribution.

For determining liability under the Securities Act, treat each post-effective amendment as a new registration statement of the securities offered, and the offering of the securities at that time to be the initial bona fide offering.

File a post-effective amendment to remove from registration any of the securities that remain unsold at the end of the offering.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

Each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

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**SIGNATURES**

In accordance with the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all the requirements for filing on Form SB-2 and authorized this registration statement to be signed on its behalf by the undersigned, in the City of McLean, State of Virginia, on the 25<sup>th</sup> day of September, 2007.

**THORIUM POWER, LTD.**

By: /s/ Seth Grae  
Seth Grae,  
President and Chief Executive Officer

In accordance with the requirements of the Securities Act of 1933, this amendment to the registration statement has been signed by the following persons in the capacities and on the date stated.

By: /s/ Seth Grae  
Seth Grae  
President, Chief Executive Officer and Director  
(Principle Executive Officer)

By: /s/ Larry Goldman  
Larry Goldman  
Treasurer and Acting Chief Financial Officer  
(Principle Financial and Accounting Officer)

By: /s/ Thomas Graham, Jr.  
Thomas Graham, Jr.  
Interim Secretary and Director

By: /s/ Victor E. Alessi  
Victor E. Alessi  
Director

By: /s/ Jack D. Ladd  
Jack D. Ladd  
Director

By: /s/ Daniel B. Magraw  
Daniel B. Magraw  
Director

## EXHIBIT INDEX

<i>Exhibit Number</i>	<i>Description</i>
3.1	Articles of Incorporation (incorporated by reference from the Company's Registration Statement on Form 10-SB filed on December 17, 1999).
3.2	By-laws (incorporated by reference from the Company's Current Report on Form 8-K filed on September 18, 2006).
4.1	2005 Compensation Plan for Outside Consultants of Custom Brand Networks, Inc. dated March 1, 2005 (incorporated by reference from the Company's Registration Statement on Form S-8 filed on March 10, 2005).
4.2	2005 Augmented Compensation Plan for Outside Consultants of the Company dated August 15, 2005 (incorporated by reference from the Company's Registration Statement on Form S-8 filed on August 19, 2005).
4.3	2006 Stock Plan (incorporated by reference to Exhibit 10.1 of the current report of the Company on Form 8-K filed February 21, 2006)
5*	Opinion of Thelen Reid Brown Raysman & Steiner LLP, as to the validity under Nevada law of the Securities being registered hereunder
10.1	Consulting Agreement dated October 15, 2004 between Custom Branded Networks, Inc. and Walter Doyle (incorporated by reference from the Company's Registration Statement on Form S-8 filed on October 19, 2004).
10.2	Consulting Agreement dated October 15, 2004 between Custom Branded Networks, Inc. and Adam Harrison (incorporated by reference from the Company's Registration Statement on Form S-8 filed on October 19, 2004).
10.3	Consulting Agreement dated October 15, 2004 between Custom Branded Networks, Inc. and Tim Lelek (incorporated by reference from the Company's Registration Statement on Form S-8 filed on October 19, 2004).
10.4	Consulting Agreement dated October 15, 2004 between Custom Branded Networks, Inc. and Bruce Fearn (incorporated by reference from the Company's Registration Statement on Form S-8 filed on October 19, 2004).
10.5	Compensation Agreement dated October 15, 2004 between Custom Branded Networks, Inc. and Paul G. Carter (incorporated by reference from the Company's Registration Statement on Form S-8 filed on October 19, 2004).
10.6	Consulting Agreement dated January 24, 2005 between Custom Branded Networks, Inc. and Walter Doyle (incorporated by reference from the Company's Registration Statement on Form S-8 filed on January 27, 2005).
10.7	Consulting Agreement dated January 24, 2005 between Custom Branded Networks, Inc. and Sanjeev Pamnani (incorporated by reference from the Company's Registration Statement on Form S-8 filed on January 27, 2005).
10.8	Consulting Agreement dated January 24, 2005 between Custom Branded Networks, Inc. and Seth Shaw (incorporated by reference from the Company's Registration Statement on Form S-8 filed on January 27, 2005).
10.9	Assignment of Specific Mineral Rights dated September 14, 2005 between American Graphite Holdings and the Company (incorporated by reference from the Company's Current Report on Form 8-K filed on October 11, 2005).
10.10	Amendment No. 1, dated March 5, 2006, to Assignment of Specific Mineral Rights between American Graphite Holdings and the Company (incorporated by reference from Exhibit 10.10 of the initial filing of this Registration Statement on Form S-4 filed June 14, 2006).
10.11	Mining Acquisition Agreement dated September 30, 2005 between Walter Doyle and the Company (incorporated by reference from the Company's Current Report on Form 8-K filed on October 11, 2005).

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- 10.12 Amendment No. 1, dated March 5, 2006, to Mining Acquisition Agreement between Walter Doyle and the Company (incorporated by reference from Exhibit 10.12 of the Company's Registration Statement on Form S-4 filed June 14, 2006).
  - 10.13 Agreement and Plan of Merger dated as of February 14, 2006, between Novastar Resources Ltd., TP Acquisition Corp. and Thorium Power, Inc. (incorporated by reference from the Company's Current Report on Form 8-K filed on June 13, 2006).
  - 10.14 Amendment No. 1, dated June 9, 2006, to Agreement and Plan of Merger between Novastar Resources Ltd., TP Acquisition Corp. and Thorium Power, Inc. (incorporated by reference to Exhibit 10.1 of the current report of the Company on Form 8-K filed June 13, 2006).
  - 10.15 Employment Agreement, dated as of February 14, 2006, between the Company and Seth Grae (incorporated by reference to Exhibit 10.2 of the current report of the Company on Form 8-K filed February 21, 2006)
  - 10.16 Stock Option Agreement, dated as of February 14, 2006, between the Company and Seth Grae (incorporated by reference to Exhibit 10.3 of the current report of the Company on Form 8-K filed February 21, 2006)
  - 10.17 Subscription Agreement, dated as of February 14, 2006, between the Company and Thorium Power (incorporated by reference to Exhibit 10.4 of the current report of the Company on Form 8-K filed February 21, 2006)
  - 10.18 Amended and Restated Consulting Agreement, dated February 6, 2006, between the Company and Alan Gelband (incorporated by reference to Exhibit 10.5 of the current report of the Company on Form 8-K filed February 21, 2006)
  - 10.19 Form of Subscription Agreement between the Company and the investors in the private placement closed on February 14, 2006 (incorporated by reference to Exhibit 10.6 of the current report of the Company on Form 8-K filed February 21, 2006)
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- 10.20 Assignment of Minerals Lease, dated December 31, 2005, between CM Properties and the Company (incorporated by reference to Exhibit 10.1 of the current report of the Company on Form 8-K filed January 10, 2006)
- 10.21 Amendment No. 1 to Assignment of Minerals Lease, dated March 5, 2006 between CM Properties and the Company (incorporated by reference from Exhibit 10.21 of the initial filing of this Registration Statement on Form S-4 filed June 14, 2006).
- 10.22 Office Service Renewal Agreement, dated September 21, 2005, between Tysons Business Center, LLC and Thorium Power (incorporated by reference from Exhibit 10.22 of the initial filing of this Registration Statement on Form S-4 filed June 14, 2006).
- 10.23 Sublease Agreement, dated May 28, 2004, between Thorium Power and Carmen & Muss, P.L.L.C. (incorporated by reference from Exhibit 10.23 of the initial filing of this Registration Statement on Form S-4 filed June 14, 2006).
- 10.24 Office Building Lease, dated August 14, 2001, between Washington Real Estate Investment Trust and Thorium Power (incorporated by reference from Exhibit 10.24 of the initial filing of this Registration Statement on Form S-4 filed June 14, 2006).
- 10.25 Teaming Agreement dated February 22, 2006 between The University of Texas System, The University of Texas of the Permian Basin, The University of Texas at Austin, The University of Texas at Arlington, The University of Texas at Dallas, The University of Texas at El Paso, The City of Andrews, Texas, Andrews County, Texas, the Midland Development Corporation, the Odessa Development Corporation, Thorium Power and General Atomics (incorporated by reference from Exhibit 10. the Company's Registration Statement on Form S-4 filed June 14, 2006).
- 10.26 Amendment No. 1 to Amended and Restated Consulting Agreement, dated June 12, 2006, among the Company, Alan Gelband and Alan Gelband Company, Inc. (incorporated by reference to Exhibit 10.1 of the current report of the Company on Form 8-K filed June 13, 2006).
- 10.27 Employment Agreement, dated June 6, 2006, between the Company and Cornelius J. Milmoie (incorporated by reference to Exhibit 10.1 of the current report of the Company on Form 8-K filed June 13, 2006).
- 10.28 Stock Option Agreement, dated June 6, 2006, between the Company and Cornelius J. Milmoie (incorporated by reference to Exhibit 10.1 of the current report of the Company on Form 8-K filed June 13, 2006).
- 10.29 Consulting Agreement, dated June 12, 2006, between the Company and Larry Goldman (incorporated by reference to Exhibit 10.1 of the current report of the Company on Form 8-K filed June 13, 2006).
- 10.30 Stock Option Agreement, dated June 12, 2006, between the Company and Larry Goldman (incorporated by reference to Exhibit 10.1 of the current report of the Company on Form 8-K filed June 13, 2006).
- 10.31 Office Service Agreement, dated April 19, 2006, between Tysons Business Center LLC and the Company (incorporated by reference from Exhibit 10.31 the Company's Registration Statement on Form S-4 filed June 14, 2006).
- 10.32 Employment Agreement, dated July 27, 2006, between the Company and Andrey Mushakov (incorporated by reference to Exhibit 10.1 of the current report of the Company on Form 8-K filed August 4, 2006).
- 10.33 Stock Option Agreement, dated July 27, 2006, between the Company and Andrey Mushakov (incorporated by reference to Exhibit 10.2 of the current report of the Company on Form 8-K filed August 4, 2006).
- 10.34 Employment Agreement, dated July 27, 2006, between the Company and Thomas Graham, Jr. (incorporated by reference to Exhibit 10.3 of the current report of the Company on Form 8-K filed August 4, 2006).
- 10.35 Stock Option Agreement, dated July 27, 2006, between the Company and Thomas Graham, Jr. (incorporated by reference to Exhibit 10.4 of the current report of the Company on Form 8-K filed August 4, 2006).
- 10.36 Amendment No. 2, dated August 8, 2006, to Agreement and Plan of Merger between Novastar Resources Ltd., TP Acquisition Corp. and Thorium Power, Inc. (incorporated by reference to Exhibit 10.1 of the

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- Company's current report on Form 8-K filed August 9, 2006).
- 10.37 Independent Director Contract, dated August 21, 2006, between the Company and Victor Alessi (incorporated by reference to Exhibit 10.1 of the current report of the Company on Form 8-K filed August 25, 2006).
- 10.38 Stock Option Agreement, dated August 21, 2006, between the Company and Victor Alessi (incorporated by reference to Exhibit 10.2 of the current report of the Company on Form 8-K filed August 25, 2006).
- 10.39 Independent Director's Contract, dated October 23, 2006, between Thorium Power, Ltd. and Jack D. Ladd (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on October 23, 2006).
- 10.40 Independent Director's Contract, dated October 23, 2006, between Thorium Power, Ltd. and Daniel B. Magraw (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed on October 23, 2006).
- 10.41 Employment Agreement, dated February 1, 2007, between the Company and Erik Hallstrom (incorporated by reference to Exhibit 10.1 of the current report of the Company on Form 8-K filed February 1, 2007).
- 10.42 Restricted Stock Grant Agreement, dated April 12, 2007, between Erik Hällström and Thorium Power, Ltd. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on April 18, 2007).
- 10.43 Stock Option Agreement, dated April 12, 2007, between Erik Hällström and Thorium Power, Ltd. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed on April 18, 2007).
- 14.1 Code of Ethics (incorporated by reference from the Company's Annual Report on Form 10-KSB filed on November 25, 2005).
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- 16.1 Letter from Morgan and Company dated September 14, 2005 regarding change in independent accountant (incorporated by reference from the Company's Current Report on Form 8-K filed on October 11, 2005).
- 23.1\* Consent of Thelen Reid Brown Raysman & Steiner LLP (included in Exhibit 5)
- 23.2\* Consent of Child, Van Wagoner & Bradshaw, PLLC

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\* filed herewith

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