

Thorium Power, Ltd  
Form 424B3  
October 09, 2007

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Registration No. 333-135437

*PROSPECTUS*

**THORIUM POWER, LTD.**

112,544,149 Shares of Common Stock

This prospectus relates to an aggregate of up to 112,544,149 shares of our common stock which may be resold from time to time by the selling stockholders identified in this prospectus for their own account, consisting of:

- 64,386,019 shares of our common stock issued pursuant to private placements that were completed on November 23, 2005, February 14, 2006 and May 4, 2006;
- 46,950,834 shares of our common stock and 107,500 shares of common stock underlying common stock purchase warrants that have been issued to consultants of the Company or that have been issued on the effective date of the Merger to persons who were affiliates of Thorium Power prior to the Merger; and
- 733,197 shares of common stock and 366,599 shares of common stock underlying common stock purchase warrants, the current number of securities that could be due pursuant to the liquidated damages provisions of a registration rights agreement entered into pursuant to the May 4, 2006 private placement.

Of such shares covered by this prospectus, (i) 93,012,397 are outstanding upon the effective date of the registration statement to which this prospectus relates, and (ii) up to 18,431,956 shares are issuable upon the exercise of warrants held by certain of the selling stockholders. We will not receive any proceeds from the sales by the selling stockholders, but we will receive funds from the exercise of warrants held by the selling stockholders, if exercised.

Our common stock is quoted on the OTC Bulletin Board maintained by the National Association of Securities Dealers, Inc. under the symbol "THPW.OB". The closing sales price for our common stock on September 18, 2007 was \$0.22 per share, as reported on the OTC Bulletin Board. You are urged to obtain current market quotations of our common stock before purchasing any of the shares being offered for sale pursuant to this prospectus.

The selling stockholders, and any participating broker-dealers, are "underwriters" within the meaning of the Securities Act of 1933, and any commissions or discounts given to any such broker-dealer may be regarded as underwriting commissions or discounts under the Securities Act. The selling stockholders have informed us that they do not have any agreement or understanding, directly or indirectly, with any person to distribute their common stock.

**Investing in the shares being offered pursuant to this prospectus involves a high degree of risk. You should carefully read and consider the information set forth in the section of this prospectus titled "Risk Factors," beginning on page 8, when determining whether to purchase any of these shares.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The date of this Prospectus is October 9, 2007.



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## PROSPECTUS SUMMARY

*This summary highlights some information from this prospectus, and it may not contain all of the information that is important to you. You should read the following summary together with the more detailed information regarding our company and the common stock being sold in this offering, including “Risk Factors” and our financial statements and related notes, included elsewhere in, or incorporated by reference into, this prospectus.*

Except as otherwise indicated by the context, references in this prospectus to “Thorium Power,” “Company,” “we,” “us,” or “our,” are references to Thorium Power, Ltd. The terms “Thorium Power,” “Company,” “we,” “us,” or “our” in each case include the selling stockholders. References to “Securities Act” are references to the Securities Act of 1933, as amended and references to “Exchange Act” are references to the Securities Exchange Act of 1934, as amended.

### The Company

#### *General Overview*

On October 6, 2006, we acquired Thorium Power, Inc. through a merger transaction. Thorium Power, Inc. was incorporated on January 8, 1992. Thorium Power, Inc. has patented proprietary nuclear fuel designs for use in existing commercial nuclear power plants. The merger was accounted for as a reverse merger and Thorium Power, Inc. is being treated as the accounting acquiror.

As discussed in more detail below, in connection with the merger, we changed our line of business. This new line of business, which is now our only business line, is research and development of proprietary nuclear fuel designs for use in nuclear power plants. We began to shift our focus to this business in anticipation of the merger with Thorium Power, Inc. and, upon completion of the merger, this business is conducted through both Thorium Power, Inc. and the Company. Our historical business preceding the merger was mineral exploration which has been phased out completely and all operations of the Company now revolve around Thorium Power, Inc.’s proprietary nuclear fuel designs, although the Company maintains ownership of mineral rights.

We are primarily engaged in the development of proprietary nuclear fuel designs which we intend ultimately to introduce for sale into three markets: (1) nuclear fuel designs for use in commercial nuclear power plants, (2) nuclear fuel designs for reactor-grade plutonium disposition, and (3) nuclear fuel designs for weapons-grade plutonium disposition. These fuel designs are primarily for use in existing or future VVER-1000 light water reactors. We have also been conducting research and development relating to a variant of these nuclear fuel designs for use in existing pressurized water reactors (PWR).

Our future customers may include nuclear fuel fabricators and/or nuclear power plants, and/or the U.S. or foreign governments.

To date, our operations have been devoted primarily to the development and demonstration of our nuclear fuel designs, developing strategic relationships within and outside of the nuclear power industry, securing political and financial support from the U.S. and Russian governments, the filing of patent applications and related administrative functions. We do not currently have any revenues from our activities in this area and expect that we will not generate licensing revenues from this business for several years, until our fuel designs can be fully tested and demonstrated and we obtain the proper approvals to use our nuclear fuel designs in nuclear reactors. Future revenues could be generated through the licensing of our technology and also by providing other services in the nuclear power industry. Accordingly, we prepare our financial statements as a development stage company in accordance with FASB Statement No. 7, “Accounting and Reporting by Development Stage Enterprises.”



### The Offering

Common stock offered 112,544,149 shares  
by selling stockholders

Common stock 297,692,991 shares  
outstanding before the  
offering

Common stock 297,692,991 shares  
outstanding after the  
offering

Proceeds to us We will not receive any proceeds from the sale of common stock covered by this prospectus. To the extent that the selling stockholders exercise, for cash, all of the warrants covering the 18,798,555 shares of common stock registered for resale under this prospectus, we would receive approximately \$11,141,885 in the aggregate from such exercises. We intend to use such proceeds for working capital, and other general corporate purposes.

### Risk Factors

Because we are a development stage company with a very limited history of operations, we are subject to many risks associated with early-stage companies. We are subject to numerous risks, including: uncertainties about our new nuclear fuel designs that have only been partially tested in a research reactor and have not been tested or proven in existing commercial reactors or willingness of reactor operators to adopt our new nuclear fuel designs; risks associated with our Nuclear Fuel Design Business, such as, uncertainties about licensing and regulatory approval process due to significant differences in our fuel designs from fuels currently licensed and used by commercial nuclear power plants, high dependency on U.S. government funding and support for the company's weapons-grade plutonium disposing fuel without which commercialization of this fuel design is unlikely, intellectual property risk including that the company does not have rights to all the processes and methodologies that are used or may be used or useful in its Nuclear Fuel Design Business, political uncertainties from reliance on Russia as the main site where research and development activities on the company's fuel designs are being conducted; reliance on Seth Grae and other key individuals who are likely to be a significant factor in our future growth; ongoing significant operating losses that we continue to experience due to a lack of revenue; uncertainty about our liquidity and capital resources; high historical volatility of our stock price and other risks related to holding our stock. For a more detailed discussion of some of the risks you should consider before purchasing shares of our common stock, you are urged to carefully review and consider the section entitled "Risk Factors" beginning on page 8 of this prospectus.

### Additional Information

Our corporate headquarters are located at 8300 Greensboro Drive, Suite 800, McLean VA 22102. Our telephone number is (703) 918-4904. We maintain a website at [www.thoriumpower.com](http://www.thoriumpower.com) that contains information about us, but that information is not a part of this prospectus.



## RISK FACTORS

*Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below before you purchase any of our common stock. If any of these risks or uncertainties actually occurs, our business, financial condition or results of operations could be materially adversely affected. In this event, you could lose all or part of your investment.*

### **Business Risks**

#### OUR LIMITED OPERATING HISTORY MAKES IT DIFFICULT TO JUDGE OUR PROSPECTS.

We are a development stage company. Our fuel design patents and technology have not been commercially used and we have not received any royalty or sales revenue. We are subject to the risks, expenses and problems frequently encountered by companies in the early stages of development.

#### OUR FUEL DESIGNS HAVE NEVER BEEN TESTED IN AN EXISTING COMMERCIAL REACTOR AND ACTUAL FUEL PERFORMANCE, AS WELL AS THE WILLINGNESS OF COMMERCIAL REACTOR OPERATORS AND FUEL FABRICATORS TO ADOPT A NEW FUEL DESIGN, IS UNCERTAIN.

Nuclear power research and development entails significant technological risk. New designs must be fabricated, tested and licensed before market opportunities will exist. Our fuel designs are still in the research and development stage and while irradiation testing in a test reactor in Russia (which mimics the operating characteristics of an actual commercial reactor) and thermal-hydraulic experiments have been ongoing for several years, the fuel technology is yet to be demonstrated in an existing commercial reactor. We will not be certain about the ability of the fuel we design to perform in actual commercial reactors until we are able to demonstrate our fuel designs. We will also have to establish a relationship with a fuel fabricator to actually produce fuel using our designs. If our fuel designs do not perform as anticipated in commercial use, we will not realize revenues from licensing or other use of our fuel designs.

In addition, there are several technical challenges involved in commercializing thorium based fuels. Some of the technical challenges with our technology identified by the experts at Russian Research Centre Kurchatov Institute (an independent contractor that is closely affiliated with the government of the Russian Federation), Westinghouse Electric Company LLC, and the International Atomic Energy Agency (“IAEA”), include:

- *Fuel fabrication:* The relatively high melting point of thorium oxide will require fuel pellet manufacturing techniques that are different from those currently used for uranium pellets.
- *Fuel fabrication:* Our metallic seed fuel rod designs are greater than 3 meters long compared to conventional Russian metallic icebreaker fuel rods that we understand are approximately 1 meter long. The longer rods will require new equipment and experience making longer extrusions.
- *Fuel design:* Our “seed-and-blanket” fuel assembly design has a detachable central part which is not in conventional fuel designs.
- *Fuel design:* Some of our fuel designs include plutonium-zirconium fuel rods which will operate in a soluble boron environment. Current reactor operating experience is with uranium-zirconium fuel in a boron-free environment.
- *Fuel use:* Our fuel is expected to be capable of producing more gigawatt days per ton of fuel than is allowed by current reactor licenses, so to gain full economic benefits, reactor operators will have to obtain regulatory approval.



*Fuel use:* The thorium-uranium oxide blanket section in our fuels is expected to produce energy economically for up to 9 years in the reactor core. Conventional uranium fuel demonstrates the cladding can remain corrosion-free for up to 5 years. Testing is needed to prove corrosion resistance for the longer residence time.

*Fuel reprocessing:* The IAEA has identified a number of ways that reprocessing spent thorium fuel will require technologies different from existing uranium fuel reprocessing. Management's current marketing plans do not assume or depend on the ability to reprocess and recycle spent fuel. Management expects spent thorium fuel will go into long term storage. This is current U.S. government policy for all spent commercial nuclear fuel.

OUR FUEL DESIGNS DIFFER FROM FUELS CURRENTLY LICENSED AND USED BY COMMERCIAL NUCLEAR POWER PLANTS. AS A RESULT, THE LICENSING AND APPROVAL PROCESS FOR OUR FUELS MAY BE DELAYED AND MADE MORE COSTLY, AND INDUSTRY ACCEPTANCE OF OUR FUELS MAY BE HAMPERED.

Our fuel designs differ significantly in some aspects from the fuel licensed and used today by commercial nuclear power plants. Some of the differences between our fuels and those currently used include:

- use of thorium and uranium oxide mix instead of only uranium oxide,

- higher uranium enrichment level,

- seed-and blanket fuel assembly design integrating thorium and uranium,

- high burn-up levels of seed and blanket,

- use of metallic seed rods,

- longer residence time of the blanket in the reactor, and

- the ability of some of our fuels to dispose of reactor-grade plutonium and/or weapons-grade plutonium through the use of new fuel designs and in reactors that have never used plutonium-bearing fresh fuels.

These differences will likely result in more prolonged and extensive review by the U.S. Nuclear Regulatory Commission and other nuclear licensing authorities and customers. Also, the nuclear industry may be hesitant to switch to another fuel with little or no history of successful commercial use because of the need for additional engineering and testing with no guarantee of success as well as investor reluctance to invest in a new technology when viable existing technologies are available.

**OUR PLANS TO DEVELOP OUR THORIUM/WEAPONS-GRADE PLUTONIUM DISPOSING FUEL ARE DEPENDENT UPON U.S. GOVERNMENT FUNDING AND SUPPORT. WITHOUT SUCH SUPPORT, WE ARE UNLIKELY TO BE ABLE TO SERVE THIS MARKET.**

Our thorium/weapons-grade plutonium disposing fuel design is highly dependent upon U.S. and perhaps other government funding and acceptance as a technology appropriate to eliminate U.S. and Russian stockpiles of surplus weapons-grade plutonium. In the past, we have faced resistance from some offices within the U.S. Department of Energy (DOE) that support other alternative plutonium disposing technology, particularly mixed plutonium uranium oxide (MOX) fuel designs. The Company has spent a significant amount of funds to gain commercial and market acceptance for its fuel designs. Over the last two years we have spent in excess of \$500,000, in the aggregate, including both cash and the fair market value of equity compensation, on third party service providers in connection with these government relations initiatives. We expect to continue spending additional resources on these efforts to gain acceptance. These efforts may not result in funding for our Company or government acceptance of our technologies for plutonium disposition or other government-funded projects.

**WE DO NOT HAVE RIGHTS TO ALL OF THE DESIGNS, PROCESSES AND METHODOLOGIES THAT ARE USED OR MAY BE USED OR USEFUL IN OUR BUSINESS IN THE FUTURE. IF WE ARE UNABLE TO OBTAIN SUCH RIGHTS ON REASONABLE TERMS IN THE FUTURE, OUR ABILITY TO EXPLOIT OUR INTELLECTUAL PROPERTY MAY BE LIMITED.**

Dr. Alvin Radkowsky invented the thorium fuel technology that we are developing. Upon founding Thorium Power in 1992, Dr. Radkowsky assigned all of his rights in the intellectual property relating to such fuel designs to Thorium Power, Inc. Thorium Power, Inc. then filed patent applications in the United States and other countries and the patents were issued and are held solely by our Company. We are currently conducting fuel assembly design work in Russia through Russian Research Centre Kurchatov Institute, an independent contractor that is closely affiliated with the government of the Russian Federation and other nuclear institutes. We do not have any licensing or other rights to

acquire or utilize certain designs, methodologies or processes required for fuel assemblies. If we desire to utilize such processes or methodologies in the future, we must obtain a license or other right to use such technologies from the Kurchatov Institute and other Russian entities that performed work on our project. If we are unable to obtain such a license or other right on terms that the Kurchatov Institute or other Russian entities deem to be reasonable, then we may not be able to fully exploit our intellectual property and may be hindered in the sale of products and services.

**WE RELY UPON CERTAIN MEMBERS OF OUR SENIOR MANAGEMENT, INCLUDING SETH GRAE, AND THE LOSS OF MR. GRAE OR ANY OF OUR SENIOR MANAGEMENT WOULD HAVE AN ADVERSE EFFECT ON THORIUM POWER.**

Our success depends upon certain members of our senior management, including Seth Grae. Mr. Grae's knowledge of the nuclear power industry, his network of key contacts within that industry and in governments and, in particular, his expertise in the potential markets for the company's technologies, is critical to the implementation of our business model. Mr. Grae is likely to be a significant factor in our future growth and success. The loss of the service of Mr. Grae would have a material adverse effect on our Company. We do not have key man insurance policies relating to Seth Grae or any other key individuals and do not anticipate obtaining any such insurance.

**THE PRICE OF FOSSIL FUELS OR URANIUM MAY FALL, WHICH WOULD REDUCE THE INTEREST IN THORIUM FUEL BY REDUCING ECONOMIC ADVANTAGES OF UTILIZING THORIUM BASED FUELS AND ADVERSELY AFFECT THE MARKET PROSPECTS FOR OUR FUEL DESIGNS.**

Coal, uranium and crude oil prices are currently at historically high levels. Management believes the high cost of these energy sources has resulted in increased interest in other sources of energy such as thorium. If prices of traditional energy sources fall, then the demand that the company expects for thorium based fuels may not materialize. A decrease in demand for thorium based fuels would negatively affect our future operating results.

#### OUR RESEARCH OPERATIONS ARE CONDUCTED PRIMARILY IN RUSSIA, MAKING THEM SUBJECT TO POLITICAL UNCERTAINTIES RELATING TO RUSSIA AND U.S.-RUSSIA RELATIONS.

Substantially all of our present research activities are in Russia. Our research operations are subject to various political risks and uncertainties inherent in the country of Russia. If U.S.-Russia relations deteriorate, the Russian government may decide to scale back or even cease completely its cooperation with the United States on various international projects, including in the plutonium disposition program and nuclear power technology development programs. If this happened, our research and development program in Russia could be scaled back or shut down, which could have a significant adverse impact on our ability to execute our business model. Furthermore, the Russian institutes engaged in the Thorium Power project are highly regulated and, in many instances, are controlled by the Russian government. The Russian government could decide that the nuclear scientists engaged in our project in Russia or testing facilities employed in this project should be redirected to other high priority national projects in the nuclear sector which could lead to delays or have other significant adverse impact on our project.

#### WE SERVE THE NUCLEAR POWER INDUSTRY, WHICH IS HIGHLY REGULATED.

The nuclear power industry is a highly regulated industry. We intend to license our fuel designs to nuclear fuel fabricators, which would, in turn, sell the thorium-based nuclear fuel that would be fabricated using our intellectual property to nuclear generating companies. All nuclear companies are subject to the jurisdiction of the United States Nuclear Regulatory Commission, or its foreign equivalents, with respect to the operation of nuclear reactors, fuel cycle facilities and handling of nuclear materials and technologies. The U.S. Nuclear Regulatory Commission, and its foreign equivalents, subject nuclear facilities to continuing review and regulation covering, among other things, operations, maintenance, emergency planning, security and environmental and radiological aspects of those facilities. These nuclear regulatory bodies may modify, suspend or revoke operating licenses and impose civil penalties for failure to comply with applicable laws and regulations such as the Atomic Energy Act, the regulations under such Act or the terms of such licenses. Possession and use of nuclear materials, including thorium-based nuclear fuel, would require the approval of the United States Nuclear Regulatory Commission or its counterparts around the world and would be subject to monitoring by international agencies.

#### PUBLIC OPPOSITION TO NUCLEAR POWER COULD INCREASE.

Successful execution of our business model is dependent upon public support for nuclear power in the United States and other countries. Nuclear power faces strong opposition from certain competitive energy sources, individuals and organizations. The occurrence of another major, Chernobyl-like, nuclear accident could have a significant adverse effect on public opinion about nuclear power and the favorable regulatory climate needed to introduce new nuclear technologies. Strong public opposition could hinder the construction of new nuclear power plants and lead to early shut-down of the existing nuclear power plants. Furthermore, nuclear fuel fabrication and the use of new nuclear fuels in reactors must be licensed by the United States Nuclear Regulatory Commission and equivalent foreign governmental authorities. The licensing process includes public hearings in which opponents of the use of nuclear power might be able to cause the issuance of required licenses to be delayed or denied. In fact, since the Chernobyl nuclear accident, no new nuclear power plant has been built and opened in the United States.

#### MODIFICATIONS TO EXISTING NUCLEAR FUEL CYCLE INFRASTRUCTURE AS WELL AS REACTORS MAY PROVE TOO EXTENSIVE OR COSTLY.

The existing nuclear fuel cycle infrastructure is predominantly based on low-enrichment uranium oxide fuels. Introduction of thorium based fuel designs, which require relatively higher enriched uranium or plutonium as a source of reactivity, into the existing nuclear fuel cycle supply chain would necessitate certain changes to procedures, processes and equipment used by existing nuclear fuel fabrication facilities and nuclear fuel transportation companies. In addition, our nuclear fuel designs rely on fabrication technologies that in certain material ways are different from the fabrication techniques presently utilized by existing commercial fuel fabricators. In particular, our metallic seed rods must be produced using a co-extrusion fabrication process that was developed in Russia. Presently, most commercial nuclear fuel is produced using a pellet fabrication technology, whereby uranium oxide is packed into small pellets that are stacked and sealed inside metallic tubes. The co-extrusion fabrication technology involves extrusion of a single-piece solid fuel rod from a metallic matrix containing uranium or plutonium seed fuel. While we understand that the co-extrusion fabrication process has been successfully used in Russia for decades to produce one-meter long metallic nuclear fuel rods used in nuclear reactors that propel Russian icebreakers, it must be upgraded and tested to demonstrate its ability to produce longer metallic rods (approximately 3.5-meters long for Russian VVER-1000 reactors) so that our seed fuel can be consistent with the standard length of fuel rods used in existing commercial reactors. Full-size metallic fuel rods have not yet been produced using this fabrication process, and there are no guarantees that this new fabrication technology will be successful.

Deployment of our nuclear fuel designs into existing commercial reactors may require modifications to existing equipment, refueling and fuel handling procedures, and other processes utilized at existing nuclear power plants. The costs of such modifications are difficult to ascertain. While one of our goals is to make our fuel designs as compatible as possible with the design of existing commercial reactors in order to minimize the extent and cost of modifications that may be required, we may not be able to achieve compatibility sufficient to reduce the extent and costs of required modifications enough to make our fuel designs economical for reactor operations.

**OUR NUCLEAR FUEL PROCESS IS DEPENDENT ON OUTSIDE SUPPLIERS OF NUCLEAR AND OTHER MATERIALS.**

Production of fuel assemblies using our nuclear fuel designs is dependent on the ability of fuel fabricators to obtain supplies of thorium oxide for the “blanket” component of our fuel assembly design. Fabricators will also need to obtain metal for components, particularly zirconium. These materials are regulated and can be difficult to obtain or may have unfavorable pricing terms. The inability of fabricators to obtain these materials could have a material adverse effect on their ability to market fuel based on our technology.

**WE MAY BE UNABLE TO PROTECT OUR INTELLECTUAL PROPERTY, PARTICULARLY IN LIGHT OF RUSSIAN INTELLECTUAL PROPERTY LAWS.**

Intellectual property rights are evolving in Russia, trending towards international norms, but are by no means fully developed. We work closely with the Kurchatov Institute and other Russian institutes to develop some of our intellectual property and so some of our intellectual property rights derive, or are affected by, Russian intellectual property laws. If the application of these laws to our intellectual property rights proves inadequate, then the Company may not be able to fully avail itself of our intellectual property and our business model may therefore be impeded.

**WE MAY NOT BE ABLE TO RECEIVE OR RETAIN AUTHORIZATIONS THAT MAY BE REQUIRED FOR US TO SELL OUR SERVICES OR LICENSE OUR TECHNOLOGY INTERNATIONALLY.**

The sales and marketing of our services and technology internationally may also be subject to US export controls administered by the US Department of Energy and/or the US Department of Commerce. US governmental authorizations may be required before we can export our services or technology. These controls are subject to change and a number of US governmental licensing policies. If authorizations are required and not granted, our international business plans could be materially affected. Furthermore, the export authorization process is often time-consuming. Violation of export control regulations could subject us to fines and other penalties, such as losing the ability to export for a period of years, which would limit our revenue growth opportunities and significantly hinder our attempts to expand our business internationally.

**Financial Risks**

**WE CONTINUE TO EXPERIENCE SIGNIFICANT OPERATING LOSSES.**

We have never realized significant revenues or realized an operating profit from the development of our proprietary nuclear fuel designs. Our acquisition of Thorium Power, Inc. through the merger is being accounted for as a reverse merger and Thorium Power, Inc. is being treated as the accounting acquirer. Since Thorium Power, Inc.’s formation, its operating costs have exceeded its revenue in each year. Thorium Power, Inc. incurred a net loss of approximately \$11.7 million for the year ended December 31, 2006. Since Thorium Power, Inc.’s inception in 1992 to December 31, 2006 our operating costs have exceeded our revenues by approximately \$27 million, and we will continue to experience significant operating losses in the future until we can demonstrate, deploy and commercialize our proprietary nuclear fuel designs or pursue other growth opportunities in the nuclear power industry. We may not be able to obtain or maintain any level of revenues. If we are unsuccessful in these efforts, we may never achieve

profitability.

**OUR LIQUIDITY AND CAPITAL RESOURCES ARE UNCERTAIN.**

For the year ended December 31, 2006, we had a net loss of approximately \$11.7 million. At December 31, 2006, we had a working capital surplus of approximately \$8.7 million. During the period from July 1, 2005 through June 30, 2006, we raised gross proceeds of approximately \$17,500,000 in private placement transactions. While we expect these proceeds will meet our foreseeable needs in 2007, we will need to raise additional capital by way of an offering of equity securities, an offering of debt securities, or by obtaining financing through a bank or other entity. If we need to obtain additional financing, that financing may not be available or we may not be able to obtain that financing on terms acceptable to us. If additional funds are raised through the issuance of equity securities, there may be a significant dilution in the value of our outstanding common stock.

**Risks Relating to the Ownership of Our Securities**

*THERE MAY BE VOLATILITY IN OUR STOCK PRICE, WHICH COULD NEGATIVELY AFFECT INVESTMENTS, AND STOCKHOLDERS MAY NOT BE ABLE TO RESELL THEIR SHARES AT OR ABOVE THE VALUE THEY ORIGINALLY PURCHASED SUCH SHARES.*

The market price of our common stock may fluctuate significantly in response to a number of factors, some of which are beyond its control, including:

- o quarterly variations in operating results;
- o changes in financial estimates by securities analysts;
- o changes in market valuations of other similar companies;
- o announcements by us or its competitors of new products or of significant technical innovations, contracts, receipt of (or failure to obtain) government funding or support, acquisitions, strategic partnerships or joint ventures;
- o additions or departures of key personnel;
- o any deviations in net sales or in losses from levels expected by securities analysts or any reduction in political support from levels expected by securities analysts;
- o future sales of common stock; and
- o results of analyses of mining and resources assets.

In addition, the stock market has recently experienced extreme volatility that has often been unrelated to the performance of particular companies. These market fluctuations may cause our stock price to fall regardless of its performance.

*BECAUSE OUR SECURITIES TRADE ON THE OTC BULLETIN BOARD, THE ABILITY TO SELL SHARES IN THE SECONDARY MARKET MAY BE LIMITED.*

The shares of our common stock are quoted on the NASD OTC Bulletin Board. Because our common stock currently trades on the OTC Bulletin Board, it is subject to the rules promulgated under the Securities Exchange Act of 1934, as amended, which impose additional sales practice requirements on broker-dealers that sell securities governed by these rules to persons other than established customers and “accredited investors” (generally, individuals with a net worth in excess of \$1,000,000 or annual individual income exceeding \$200,000 or \$300,000 jointly with their spouses). For such transactions, the broker-dealer must determine whether persons that are not established customers or accredited investors qualify under the rule for purchasing such securities and must receive that person’s written consent to the transaction prior to sale. Consequently, these rules may adversely effect the ability of purchasers to sell our securities and otherwise affect the trading market in our securities.

Because our shares are deemed “penny stocks,” there may be difficulty selling them in the secondary trading market. The Securities and Exchange Commission has adopted regulations, which generally define a “penny stock” to be any equity security that has a market price (as defined in the regulations) less than \$5.00 per share or with an exercise price of less than \$5.00 per share, subject to certain exceptions. As our common stock falls within the definition of penny stock, these regulations require the delivery, prior to any transaction involving our common stock, of a risk disclosure schedule explaining the penny stock market and the risks associated with it. Disclosure is also required to be made about compensation payable to both the broker-dealer and the registered representative and current quotations for the securities. In addition, monthly statements are required to be sent disclosing recent price information for the penny stocks. The ability of broker/dealers to sell our common stock and the ability of stockholders to sell our common stock in the secondary market would be limited. As a result, the market liquidity for our common stock would be severely and adversely affected.



**CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS**

Certain statements contained in this prospectus, including, without limitation, those concerning our liquidity and capital resources, contain forward-looking statements concerning our operations; financial condition; management forecasts; liquidity; anticipated growth; the economy; future economic performance; future acquisitions and dispositions; potential and contingent liabilities; management's plans; taxes; and the development and utilization of our intellectual property. Because such statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. These statements may be preceded by, followed by or include the words "believes," "expects," "anticipates," "intends," "plans," "estimates" or similar expressions.

Forward-looking statements are not guarantees of performance and by their nature are subject to inherent risks and uncertainties. We caution you therefore that you should not rely on these forward-looking statements. You should understand the risks and uncertainties discussed in the section on "Risk Factors" and elsewhere in this prospectus, could affect our future results and could cause those results or other outcomes to differ materially from those expressed or implied in our forward-looking statements.

Any forward-looking information contained in this prospectus speaks only as of the date of the report. Factors or events may emerge from time to time and it is not possible for us to predict all of them. We undertake no obligation to update or revise any forward-looking statements to reflect new information, changed circumstances or unanticipated events.

### USE OF PROCEEDS

The proceeds from the sale of the shares of our common stock being offered by the selling stockholders pursuant to this prospectus will belong to the selling stockholders. We will not receive proceeds from the sales by the selling stockholders but we may receive funds from the exercise of the warrants, if exercised. We will utilize any proceeds from the exercise of such warrants for general corporate and working capital purposes. We will have complete discretion over how we may use the proceeds, if any, from any exercise of the warrants.

### MARKET FOR OUR COMMON STOCK AND RELATED STOCKHOLDER MATTERS

#### *Market Information*

Our common stock is listed and traded on the OTC Bulletin Board. The following table sets forth the high and low closing per share sales prices of our common stock as reported on the OTC Bulletin Board for the quarterly fiscal periods presented below. The quotations were obtained from the OTC Bulletin Board website and reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

FISCAL YEAR	QUARTER ENDING	HIGH	LOW
2007	Through September 18, 2007	\$ 0.29	\$ 0.18
	June 30, 2007	\$ 0.31	\$ 0.24
	March 31, 2007	\$ 0.42	\$ 0.19
2006	December 31, 2006	\$ 0.30	\$ 0.30
	September 30, 2006	\$ 0.49	\$ 0.44
	June 30, 2006	\$ 0.74	\$ 0.43
	March 31, 2006	\$ 0.88	\$ 0.19
2005	December 31, 2005	\$ 0.28	\$ 0.14
	September 30, 2005	\$ 0.29	\$ 0.13
	June 30, 2005	\$ 0.22	\$ 0.08
	March 31, 2005	\$ 0.22	\$ 0.09

#### *Holders*

As of September 18, 2007, our common stock was held by 278 stockholders of record.

#### *Reports to Stockholders*

We plan to furnish our stockholders with an annual report for each fiscal year ending December 31 containing financial statements audited by our independent certified public accountants. Additionally, we may, in our sole discretion, issue unaudited quarterly or other interim reports to our stockholders when we deem appropriate. We intend to maintain compliance with the periodic reporting requirements of the Exchange Act.

*Dividends*

We have never paid dividends. While any future dividends will be determined by our directors after consideration of the earnings, financial condition and other relevant factors, it is currently expected that available cash resources will be utilized in connection with our ongoing operations.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

*The following discussion should be read in conjunction with both our unaudited financial statements for the six months ended June 30, 2006 and our audited financial statements for the years ended December 31, 2006 and 2005, together with the notes to those statements, included elsewhere in this prospectus. The following discussion contains forward-looking statements that involve risks, uncertainties, and assumptions such as statements of our plans, objectives, expectations, and intentions. Our actual results may differ materially from those discussed in these forward-looking statements because of the risks and uncertainties inherent in future events.*

### ***General Overview***

On October 6, 2006, we acquired Thorium Power, Inc. through a merger transaction. Thorium Power, Inc. was incorporated on January 8, 1992. Thorium Power, Inc. has patented proprietary nuclear fuel designs for use in existing commercial nuclear power plants. The merger was accounted for as a reverse merger and Thorium Power, Inc. is being treated as the accounting acquiror.

As discussed in more detail below, in connection with the merger, we changed our line of business. This new line of business, which is now our only business line, is research and development of proprietary nuclear fuel designs for use in nuclear power plants. We began to shift our focus to this business in anticipation of the merger with Thorium Power, Inc. and, upon completion of the merger, this business is conducted through both Thorium Power, Inc. and the Company. Our historical business preceding the merger was mineral exploration which has been phased out completely and all operations of the Company now revolve around Thorium Power, Inc.'s proprietary nuclear fuel designs, although the Company maintains ownership of mineral rights.

We are primarily engaged in the development of proprietary nuclear fuel designs which we intend ultimately to introduce for sale into three markets: (1) nuclear fuel designs for use in commercial nuclear power plants, (2) nuclear fuel designs for reactor-grade plutonium disposition, and (3) nuclear fuel designs for weapons-grade plutonium disposition. These fuel designs are primarily for use in existing or future VVER-1000 light water reactors. We have also been conducting research and development relating to a variant of these nuclear fuel designs for use in existing pressurized water reactors (PWR).

Our future customers may include nuclear fuel fabricators and/or nuclear power plants, and/or the U.S. or foreign governments.

To date, our operations have been devoted primarily to the development and demonstration of our nuclear fuel designs, developing strategic relationships within and outside of the nuclear power industry, securing political and financial support from the U.S. and Russian governments, the filing of patent applications and related administrative functions. We do not currently have any revenues from our activities in this area and expect that we will not generate licensing revenues from this business for several years, until our fuel designs can be fully tested and demonstrated and we obtain the proper approvals to use our nuclear fuel designs in nuclear reactors. Future revenues could be generated through the licensing of our technology and also by providing other services in the nuclear power industry. Accordingly, we prepare our financial statements as a development stage company in accordance with FASB Statement No. 7, "Accounting and Reporting by Development Stage Enterprises."

### ***Material Opportunities and Challenges***

We believe that a major opportunity for us is the possibility that our fuel designs, which are currently in the research and development stage, will be used in the manufacturing of nuclear fuel utilized in many existing light water nuclear reactors in the future. Light water reactors are the dominant reactor types currently in use in the world and fuels for such reactors constitute the majority of the commercial market for nuclear fuel. Our focus is on three different types,

or variants, of thorium fuel designs. The first is designed to provide reactor owner-operators with an economically viable alternative fuel that will not generate weapons-usable plutonium in the spent fuel. The second is designed to dispose of reactor-grade plutonium that has been extracted from spent fuel from commercial reactors and stockpiled in Russia, Western Europe, the U.S., Japan and other countries. The third is designed to dispose of weapons-grade plutonium that is stockpiled in Russia and the United States. All three of these fuel variants are expected to have additional benefits, including reduced volume and reduced long-term radio-toxicity of spent fuel for the same amount of electricity generated, as compared with the uranium fuels that are currently used in light water reactors and as compared with MOX fuel.

Thorium Power, Inc. has been developing relations with relevant entities within the United States and Russian governments for over thirteen years. Thorium Power, Inc., in cooperation with these governments, has been demonstrating its fuel designs in a research reactor in Russia for over three years. Independent analyses of the technology have been performed, including a May 2005 report by the IAEA and a Spring 2005 report by Westinghouse Electric Company LLC (“Westinghouse”). The IAEA and Westinghouse analyses were positive and management believes that they can help lead to the favorable reception of our nuclear fuel designs in the future.

We are also working with Russian nuclear research institutes and Russian nuclear regulatory authorities to have one or more of the fuel designs demonstrated in a Russian VVER-1000 reactor as soon as three years from now, if we are able to obtain necessary support and an agreement with the Russian government. Management believes that it will be necessary to enter into commercial arrangements with one or more major nuclear fuel fabricators, which in many cases are also nuclear fuel vendors, as a prerequisite to having our fuel designs widely deployed in global markets.

Our nuclear fuel designs have never been demonstrated in a full-size commercial reactor. Our planned demonstration of the fuels in a VVER-1000 reactor in Russia would provide operating experience that is critical to reactor owners and regulatory authorities. We believe that once the fuels have been demonstrated in the VVER-1000 reactor, this can help convince other light water reactor operators around the world to accept our thorium fuel designs.

We believe that our greatest challenge will be acceptance of these fuel designs by nuclear power plant operators, which have in the past been hesitant to be the first to use a new type of nuclear fuel. In addition, our fuel designs would require regulatory approval by relevant nuclear regulatory authorities, such as the Nuclear Regulatory Commission in the United States or its equivalent agencies in other countries, before they can be used in commercial reactors. The regulatory review process, which is outside of our control, may take longer than expected and may delay a rollout of the fuel designs into the market. Management believes that demonstration of one of the Company's fuel designs in a commercial nuclear reactor would make deployment of the other designs easier due to the many similarities that exist among all of our fuel designs.

Thorium Power, Inc. has been building relationships with companies and organizations in the nuclear power industry for several years. We will attempt to cause some or all of these companies and organizations to work in a consortium or a joint venture type arrangement with us in the future, however, we may not be able to develop any such consortium or arrangement in the near term or at all. The companies that we have identified for potential relationships have existing contracts with nuclear power plant owner-operators under which they supply nuclear fuel branded with their name to such nuclear power plants. We will attempt to cause these nuclear fuel vending companies to provide their nuclear power plant operating customers with fuels that are designed with our technology. To do so, we will need to enter into agreements with one or more of these companies. Without such arrangements it would be more difficult for us to license our fuel designs because, in addition to the reputations, guarantees, services, and other benefits that these nuclear fuel vendors provide when selling fuel to nuclear power plant operators, they also often have multi-year fuel supply contracts with the reactor operators. These multi-year fuel supply contracts act as a barrier to entry into the market, such that it can be almost impossible to penetrate some markets for nuclear fuel without working with a nuclear fuel vendor that can support long term contracts. If we are successful in demonstrating our fuel designs in Russia and in continuing to build relationships with nuclear fuel vendors, we believe it may lead to one or more of these major companies in the nuclear power industry working with us in producing and selling our nuclear fuel designs to commercial reactor operators and governments.

### ***Plan of Operation***

At June 30, 2007, our total assets were approximately \$8,018,694 of which \$7,674,955 was cash. Liabilities as of June 30, 2007 totaled approximately \$584,656. We had a working capital surplus of \$7,205,107 at June 30, 2007.

Management presently expects that our present working capital will meet our foreseeable working capital needs for the next 8 to 10 months from the date of this filing of the Form 10-QSB. Our current average monthly projected working capital requirements, excluding the \$5 million of research and development expenses we expect to incur in Russia over the next 12-15 months, as mentioned below, is approximately \$500,000 per month (including approximately \$100,000 per month for payroll and payroll-related fringe benefits). We will need to raise additional capital by way of an offering of equity securities, an offering of debt securities, or by obtaining financing through a bank or other entity sometime in 2007 in order to insure we have the necessary working capital available to continue our operations in 2008. That financing, however, may not be available or we may not be able to obtain that financing on terms acceptable to us. If additional funds are raised through the issuance of equity securities, there may be a significant dilution in the value of our outstanding common stock.

Over the next 12-15 months we expect to incur approximately \$5 million in research and development expenses related to the development of our proprietary nuclear fuel designs. Of the \$5 million, the cost of seed and blanket fuel fabrication equipment that would be purchased and used to fabricate trial seed and blanket fuel rods is expected to be

approximately \$2 million and the cost of nuclear materials used in fabrication of trial seed and blanket fuel rods is estimated at about \$850,000. We expect to incur these expenses after we have reached a formal agreement with Russian nuclear entities that will grant us licensing and other rights to use such technologies or intellectual property developed by the Russian entities. Any such agreement would require formal review and approval by the Russian Federal Agency for Atomic Energy (RosAtom). We expect this agreement to be finalized and submitted for formal approval to RosAtom within the next several months and these research expenses to be in the range of approximately \$2 million to \$2.5 million for fiscal 2007, but it is possible that such expenses could be less or more than those amounts. We spent approximately \$35,000 for research and development in 2006 and \$155,471 for the six months ended June 30, 2007.

Over the next 3 years, we expect that our research and development activities will be primarily focused on testing and demonstration of our thorium/uranium and thorium/reactor-grade plutonium disposing fuel designs. The main objective of this research and development phase is to prepare for full-scale demonstration of our nuclear fuel technology in an operating commercial VVER-1000 reactor in Russia. Key research and development activities will include: (1) Scaling up the fuel fabrication process to full length (10 feet) rods used in commercial VVER-1000 reactors, (2) Validating thermal hydraulic performance of full size (10 feet) seed and blanket fuel assembly, (3) Performing post-irradiation examination of seed and blanket fuel samples that have been irradiated in a research reactor to confirm fuel performance, and (4) Obtaining final regulatory approvals for insertion of fuel in VVER-1000 commercial reactors. As this research and development program relates to commercial applications of our fuel technology and retaining ownership or control over as much key intellectual property as we possibly can is critical to the long-term success of our licensing business model, our plan is to fully fund these research and development activities ourselves. At the same time, we do not currently plan to fund research, testing and demonstration of our thorium/weapons-grade plutonium disposing fuel, which can only be used in the U.S.-Russia government-to-government weapons-grade plutonium disposition program and has no commercial applications. Hence, funding for any future research and development activities on this fuel design would have to be provided by the U.S. government or other stakeholders.

Additionally, we anticipate increasing our payroll and related fringe benefits costs in our fiscal year ended December 31, 2007, as we are looking to hire a permanent Chief Financial Officer in 2007 to add to our management team.

### ***Results of Operations – Six Months Ended June 30, 2007 and 2006***

#### **Six Months Ended June 30, 2007**

We had no revenues during the six months ended June 30, 2007.

Our total operating expenses for the six months ended June 30, 2007 were \$5,403,938 consisting of:

- \$2,454,734 of stock based compensation;
- \$1,185,030 in professional fees consisting of
  - o \$320,625 of legal fees
  - o \$387,696 of public and government relations
  - o \$138,678 of audit and accounting fees
  - o \$338,031 of other professional and consulting fees
- \$779,562 of payroll and payroll related expenses
- \$155,471 of research and development expenses;
- \$829,141 in other general and administrative expenses.

Other income and expense was \$158,336 of net other income for the six months ended June 30, 2007. This consists primarily of interest income earned of \$216,936.

Our net loss was \$5,245,602 and \$912,348 for the six months ended June 30, 2007 and 2006, respectively. Our cumulative loss from January 8, 1992 to June 30, 2007 was \$32,423,591.

#### **Six Months Ended June 30, 2006**

We had no revenues in 2006.

Our total operating expenses for the six months ended June 30, 2006 was \$356,795 consisting of:



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- \$10,000 of research and development expenses
- \$346,795 in other general and administrative expenses consisting of
  - o \$147,400 of payroll and payroll related expenses
  - o \$306,822 of professional fees
  - o \$10,000 of research and development expenses
  - o \$147,314 of other general and administrative expenses
  - o The above increases were offset by an allocation of these expenses to Thorium Power Ltd. by Thorium Power Inc., for expenses incurred on behalf of Thorium Power Ltd. by Thorium Power Inc. prior to the merger on October 6, 2006, total of \$264,741

Other income and expense was \$555,553 of net other expenses for the six months ended June 30, 2006. This consists primarily of contributions made to the University of Texas of the Permian Basin of \$550,000 and \$4,500 of foreign currency translation loss.

***Results of Operations – Fiscal Years Ended December 31, 2006 and 2005***

**Fiscal Year 2006**

We had no revenues during the fiscal years ended December 31, 2006.

Our total operating expenses for fiscal year 2006 were \$12.3 million consisting of:

\$9.1 million of stock based compensation;  
\$1.5 million in professional fees and other general and administrative expenses;  
\$0.8 million of payroll and severance expenses;  
\$0.6 million in contributions to a nuclear reactor project in Texas; and  
\$0.3 million in consulting expenses.

Other income and expense was \$0.6 million for fiscal year 2006. This consists of

\$1.9 million gain on the fair value of derivative instruments; and  
\$0.1 million of interest income, which was offset by  
\$1.0 million of warrant expense;  
\$0.3 million of registration rights expense; and  
\$0.1 million of stock settlement expense.

Our net loss was approximately \$11.7 million in fiscal year 2006.

Since the acquisition by Thorium Power, Ltd. of Thorium Power, Inc. was treated from an accounting perspective as a reverse acquisition, income and loss of Thorium Power, Ltd prior to October 6, 2006 (the date of acquisition) is generally not included in the consolidated financial statements of Thorium Power, Ltd. However, prior to the acquisition, approximately \$7.5 million in expenses were incurred by Thorium Power, Ltd. on behalf of Thorium Power, Inc. Consequently, this \$7.5 million was allocated to Thorium Power, Inc. This allocation is the result of the application of SEC Staff Accounting Bulletin (SAB) T.1B1.

**Fiscal Year 2005**

We had no revenues in 2005.

Our total expenses for fiscal year 2005 were \$0.8 million consisting of:

\$0.3 million of stock based compensation;  
\$0.3 million of payroll expenses; and  
\$0.2 million in other general and administrative expenses.

Our net loss was approximately \$0.8 million in fiscal year 2005.

***Liquidity and Capital Resources – Six Months Ended June 30, 2007 and 2006***

As of June 30, 2007 and December 31, 2006, we had cash and cash equivalents of \$ 7,674,955 and \$10,927,775, respectively. During the quarter ended June 30, 2007, we set up a separate account (“R&D Account”) and designated \$5 million of our total cash to be held in this R&D Account. The following table provides detailed information about our net cash flow for all financial statements periods presented in this Report.

**Cash Flow**

**Six Months Ended June 30,  
2007                      2006**

Net cash (used in) operating activities	\$ (3,250,305)	\$ (1,623,687)
Net cash (used in) investing activities	\$ 0	\$ (11,346)
Net cash provided (used by) financing activities	\$ (2,515)	\$ 2,162,961
Net cash (outflow) inflow	\$ (3,252,820)	\$ 527,928

*Operating Activities:*

Net cash used for operating activities was \$3,250,305 for the six months ended June 30, 2007, which is an increase of \$1,626,618 from the \$1,623,687 net cash used for operating activities for the same period in 2006. This increase was mainly due to an increase in our operating expenses and an increase in our net loss for the period.

*Investing Activities:*

Net cash used for investing activities in the six months ended June 30, 2007 was \$0, which is a decrease of \$11,346 from net cash used for investing activities of \$11,346 in the same period of 2006 due to a decrease in the purchase of equipment of \$4,682 and a decrease in patent costs of \$6,664.

*Financing Activities:*

Net cash used by financing activities in the six months ended June 30, 2007 totaled \$2,515 as compared to \$2,162,961 provided by financing activities in the same period of 2006. This decrease of the cash provided by financing activities was mainly attributable to the decrease in proceeds from the issuance of common stock of approximately \$2.2 million.

While management expects these proceeds will meet our foreseeable needs for the next 8-10 months, we will need to raise additional capital by way of an offering of equity securities, an offering of debt securities, or by obtaining financing through a bank or other entity. If we need to obtain additional financing, that financing may not be available or we may not be able to obtain that financing on terms acceptable to us. If additional funds are raised through the issuance of equity securities, there may be a significant dilution in the value of our outstanding common stock.

*Liquidity and Capital Resources – Fiscal Years Ended December 31, 2006 and 2005*

As of December 31, 2006 and December 31, 2005, we had cash and cash equivalents of \$10,927,775 and \$283, respectively. At March 1, 2007 we had total cash and cash equivalents of \$9.5 million. In 2007 we have set up a separate account (“R&D Account”) and have designated \$5 million of our total cash to be held in this R&D Account. The following table provides detailed information about our net cash flow for all financial statements periods presented in this prospectus.

**Cash Flow**

	<b>Years Ended December 31,</b>	
	<b>2006</b>	<b>2005</b>
Net cash used in operating activities	(3,746,188)	(287,597)
Net cash used in investing activities	(17,625)	(25,957)
Net cash provided financing activities	14,691,305	313,375
Net cash Flow	10,927,492	(179)

*Operating Activities:*

Net cash used for operating activities was \$3,746,188 for the year ended December 31, 2006 which is an increase of \$3,458,591 from the \$287,597 net cash used for operating activities for the same period in 2005. This increase was mainly due to an increase in overhead expenses.

*Investing Activities:*

Net cash used for investing activities in the year ended December 31, 2006 was \$17,625, which is a decrease of \$8,332 from net cash used for investing activities of \$25,957 in the same period of 2005 due to the company's purchase of equipment.

*Financing Activities:*

Net cash provided by financing activities in the year ended December 31, 2006 totaled \$14,691,305 as compared to \$313,375 provided by financing activities in the same period of 2005. The increase of the cash provided by financing activities was mainly attributable to \$2,202,678 of cash acquired from the issuance of the company's common stock (\$650,000 received from Novastar Resources Ltd prior to the merger) and also \$12,742,408 of cash acquired at the merger date (October 6, 2006) from Novastar Resources Ltd. We also purchased 850,000 shares of treasury stock in the open market at a total cost of \$255,850.

While management expects these proceeds will meet our foreseeable needs for the next 10-12 months, we will need to raise additional capital by way of an offering of equity securities, an offering of debt securities, or by obtaining financing through a bank or other entity. If we need to obtain additional financing, that financing may not be available or we may not be able to obtain that financing on terms acceptable to us. If additional funds are raised through the issuance of equity securities, there may be a significant dilution in the value of our outstanding common stock.

### ***Off Balance Sheet Arrangements***

We do not have any off balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity or capital expenditures or capital resources that is material to an investor in our securities.

### ***Seasonality***

Our business has not been subject to any material seasonal variations in operations, although this may change in the future.

### ***Inflation***

As a development stage company, our business, revenues and operating results have not been affected in any material way by inflation. If and when it begins marketing thorium and other minerals, management expects its business will be affected by inflation and commodity price volatility.

### ***Critical Accounting Policies***

The SEC issued Financial Reporting Release No. 60, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies" suggesting that companies provide additional disclosure and commentary on their most critical accounting policies. In Financial Reporting Release No. 60, the SEC has defined the most critical accounting policies as the ones that are most important to the portrayal of a company's financial condition and operating results, and require management to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition, we have identified the following significant policies as critical to the understanding of our financial statements.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make a variety of estimates and assumptions that affect (i) the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and (ii) the reported amounts of revenues and expenses during the reporting periods covered by the financial statements.

Our management expects to make judgments and estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the future resolution of the uncertainties increase, these judgments become even more subjective and complex. Although we believe that our estimates and assumptions are reasonable, actual results may differ significantly from these estimates. Changes in estimates and assumptions based upon actual results may have a material impact on our results of operation and/or financial condition. We have identified certain accounting policies that we believe are most important to the portrayal of our current financial condition and results of operations. Our significant accounting policies are disclosed in Note 2 to the Consolidated Financial Statements attached hereto.

### **Deferred tax assets and liabilities**

We will recognize the expected future tax benefit from deferred tax assets when the tax benefit is considered to be more likely than not of being realized. Assessing the recoverability of deferred tax assets requires management to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecasted cash flows and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, our ability to realize deferred tax assets could be impacted. Additionally, future changes in tax laws in the jurisdictions in which we operate could limit our ability to obtain the future tax benefits.

Accounting for Stock Based Compensation, Stock Options and Warrants Granted to Employees and Nonemployees

We adopted the provisions of SFAS 123R, which requires the use of the fair value method of accounting for share-based compensation. Under the fair value based method, compensation cost related to employee stock options or similar equity instruments is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. SFAS 123R also requires measurement of cost of a liability-classified award based on its current fair value. The fair value of the liability-classified award will be subsequently remeasured at each reporting date through the settlement date. Change in fair value during the requisite service period will be recognized as compensation cost over that period. We determine fair value using the Black-Scholes model. Under this model, certain assumptions, including the risk-free interest rate, the expected life of the options and the estimated fair value of our ordinary shares and the expected volatility, are required to determine the fair value of the options. If different assumptions had been used, the fair value of the options would have been different from the amount we computed and recorded, which would have resulted in either an increase or decrease in the compensation expense.

The options were valued using the Black-Scholes option pricing model. The assumptions used were as follows: volatility of 106% to 275%, a risk-free interest rate of 3.86% to 4.45%, dividend yield of 0% and an exercise term of one to five years.

#### Allocation of Expenses between Thorium Power Ltd. and Thorium Power Inc.

We adopted Staff Accounting Bulletin SAB.T.1B1 whereby 2006 expenses incurred by Thorium Power Ltd on behalf of Thorium Power Inc. prior to the merger on October 6, 2006, were allocated to Thorium Power Inc. and included as expenses in the accompanying Consolidated Statements of Operations. This allocation required management to make some estimates on how to allocate certain general and administrative expenses. A total of \$7,477,700 of expenses was allocated for the period January 1, 2006 to October 6, 2006, which included \$6,602,098 of stock based compensation and \$875,602 of general and administrative expenses.

#### Registration Rights Expense

We incurred an estimated cost of approximately \$354,000, captioned in the statement of operations as registration rights expense, due to the late date of a registration statement being declared effective that was filed with the Securities and Exchange Commission, filed in connection with the May 4, 2006 private placement and the Registration Rights agreement. This amount was estimated based on the responses we received from most of the investors. We have not yet settled with all the investors so our total expense could change in future periods, once we resolve this issue with all of the investors.

## DESCRIPTION OF BUSINESS

### *General Overview*

On October 6, 2006, we acquired Thorium Power, Inc. through a merger transaction. Thorium Power, Inc. was incorporated on January 8, 1992. Thorium Power, Inc. has patented proprietary nuclear fuel designs for use in existing commercial nuclear power plants. The merger was accounted for as a reverse merger and Thorium Power, Inc. is being treated as the accounting acquiror.

As discussed in more detail below, in connection with the merger, we changed our line of business. This new line of business, which is now our only business line, is research and development of proprietary nuclear fuel designs for use in nuclear power plants. We began to shift our focus to this business in anticipation of the merger with Thorium Power, Inc. and, upon completion of the merger, this business is conducted through both Thorium Power, Inc. and the Company. Our historical business preceding the merger was mineral exploration which has been phased out completely and all operations of the Company now revolve around Thorium Power, Inc.'s proprietary nuclear fuel designs, although the Company maintains ownership of mineral rights.

We are primarily engaged in the development of proprietary nuclear fuel designs which we intend ultimately to introduce for sale into three markets: (1) nuclear fuel designs for use in commercial nuclear power plants, (2) nuclear fuel designs for reactor-grade plutonium disposition, and (3) nuclear fuel designs for weapons-grade plutonium disposition. These fuel designs are primarily for use in existing or future VVER-1000 light water reactors. We have also been conducting research and development relating to a variant of these nuclear fuel designs for use in existing pressurized water reactors (PWR).

Our future customers may include nuclear fuel fabricators and/or nuclear power plants, and/or the U.S. or foreign governments.



To date, our operations have been devoted primarily to the development and demonstration of our nuclear fuel designs, developing strategic relationships within and outside of the nuclear power industry, securing political and financial support from the U.S. and Russian governments, the filing of patent applications and related administrative functions. We do not currently have any revenues from our activities in this area and expect that we will not generate licensing revenues from this business for several years, until our fuel designs can be fully tested and demonstrated and we obtain the proper approvals to use our nuclear fuel designs in nuclear reactors. Future revenues could be generated through the licensing of our technology and also by providing other services in the nuclear power industry. Accordingly, we prepare our financial statements as a development stage company in accordance with FASB Statement No. 7, "Accounting and Reporting by Development Stage Enterprises."

### ***Corporate History***

We were incorporated under the laws of the State of Nevada on February 2, 1999. During the period from inception until October 6, 2006 we were engaged in businesses other than our current business. On October 6, 2006, we acquired Thorium Power, Inc. in a merger transaction and changed our name to Thorium Power, Ltd. At that time, our operations became the operations of Thorium Power Inc.

### ***The Nuclear Fuel Design Business Story***

Before World War II, a then young professor Dr. Edward Teller taught a student named Alvin Radkowsky. Dr. Teller later became one of the most prominent nuclear weapons designers, at the Manhattan Project, and then a lead developer of the hydrogen bomb. Dr. Radkowsky, who never worked on bombs, was the scientific leader of the teams that developed the nuclear reactors that propel submarines and other ships, as well as the first commercial nuclear power plant.

In 1948, H.G. Rickover, who would later be known as Admiral Rickover, proposed the creation of a U.S. nuclear-powered naval fleet. Admiral Rickover believed that the advantages of using nuclear power to propel naval vessels would include the ability of submarines to stay under water for longer periods of time making detection more difficult. Submarines and surface ships, including aircraft carriers, powered by nuclear generators, could also enter combat areas without any need to refuel, obviating the need for refueling tankers to be sent into war zones. Admiral Rickover's dream had many disbelievers. The idea, which at the time seemed grandiose, would require the design of a nuclear reactor that could fit into a relatively small space within a naval vessel.

By this time, Dr. Teller was one of the most prominent names in physics. When asked by Dr. Teller for a recommendation for Admiral Rickover's project, Teller referred Dr. Radkowsky, his former student. In 1948 Admiral Rickover hired Dr. Radkowsky as the first Chief Scientist of the Naval Reactors programs. Dr. Radkowsky held that position from the program's founding in 1948 until he retired from the program in 1972.

In July 1951, the United States Congress authorized the construction of the world's first nuclear powered submarine. Two and a half years later, on January 21, 1954, First Lady Mamie Eisenhower broke the traditional bottle of champagne across the bow of the ship, that had been named the Nautilus, as it slid into the Thames River in Groton, Connecticut, as the world's first nuclear powered ship. Dr. Radkowsky was the Chief Scientist for the Naval Reactors project that designed the nuclear power plant of that ship, and all other nuclear powered naval vessels produced during his tenure. The Nautilus shattered all submerged speed and distance records for naval vessels.

In 1953, President Eisenhower asked Admiral Rickover to work on a project that later became known as Atoms for Peace. The project involved the design of the first commercial nuclear power plant on land that could generate electricity. Dr. Radkowsky was asked to be the lead to design the reactor. The reactor was built just outside Pittsburgh, in Shippingport, Pennsylvania, and it began operating on December 2, 1957. It was in operation until October 1982. The groundbreaking for the plant was held in May 1954, with President Eisenhower in attendance, and on May 26, 1958, President Eisenhower opened the plant as the cornerstone of his Atoms for Peace program and marked the beginning of the commercial nuclear power industry. The Shippingport reactor was a light water breeder reactor, and in many ways would be the prototype of all commercial nuclear power plants to follow. Dr. Radkowsky's name was on key patents as the inventor of the reactor, including the invention of key technologies, without which commercial nuclear power or nuclear propulsion of ships would not be practical. Dr. Radkowsky also designed a thorium-based fuel, in a novel seed-and-blanket configuration, as the original fuel for this first nuclear power plant.

In 1983, Dr. Edward Teller contacted Alvin Radkowsky to encourage Dr. Radkowsky to develop a nuclear fuel that could work in the world's existing commercial nuclear power plants, but that would not produce nuclear weapons-usable plutonium. Dr. Teller encouraged Dr. Radkowsky to further develop the thorium-based fuels that had

been used at the Shippingport reactor, but in an effort to optimize the non-proliferation benefits of thorium-based fuels. Dr. Teller was concerned that plutonium taken from spent fuels could be used to create nuclear weapons. Thereafter, Dr. Radkowsky immediately began working on nuclear fuel designs using thorium.

In 1991, Dr. Radkowsky contacted Seth Grae, our Chief Executive Officer, and asked Mr. Grae to assist him in the development of a company that could create and exploit these fuel designs. At the time, Mr. Grae was a business attorney and Dr. Radkowsky had heard of Mr. Grae's work with emerging companies and asked Mr. Grae to assist in the establishment of a new company that would later become Thorium Power, Inc. In the 1980s, while in law school, Mr. Grae had represented Soviet refuseniks, who had been scientists at nuclear institutes in Russia, on a pro bono basis. Mr. Grae was interested in high technology development and international cooperation in technology development. Mr. Grae's father, Joel Grae, met Dr. Radkowsky soon thereafter in New York, and Joel Grae and Dr. Radkowsky founded Radkowsky Thorium Power on January 8, 1992 to develop Dr. Radkowsky's technology.

In 1993, Thorium Power, Inc., became one of the first Western companies to have discussions with the Russian Kurchatov Institute, where the Soviet Union's first atomic bomb had been developed, and much of its nuclear reactor technology had been developed. In 1995, Thorium Power's project at the Kurchatov Institute became one of the first recipients of a grant from the US Department of Energy for nuclear work in Russia. Since its founding in 1992 until its acquisition by us in October 2006, Thorium Power, Inc. has been a privately held company developing the nuclear fuel designs originally invented by Dr. Alvin Radkowsky.

### ***The Nuclear Power Industry***

Presently, nuclear power provides approximately 7% of the world's energy, including 17% of the world's electricity. According to the International Atomic Energy Agency, there are over 440 nuclear power plants in operation today, mostly light water reactors, with the most dominant types being pressurized water reactors (PWRs), boiling water reactors (BWRs) and VVER reactors (a Russian equivalent of PWRs).

Nuclear power generators, which convert nuclear energy into electricity, are the largest consumers of products and services within the nuclear power industry. The product and service providers that service these customers include both large vertically-integrated nuclear companies that provide a complete array of reactor services and niche providers. These services include reactor design, construction, servicing, and decommissioning; front-end nuclear fuel services (nuclear fuel materials procurement and processing; nuclear fuel design (our market of interest) and fuel fabrication); back-end nuclear fuel services (spent fuel management and reprocessing), transportation, and various other services.

Today the vast majority of commercial nuclear power plants around the world use uranium oxide fuel. This uranium oxide fuel is comprised of uranium enriched up to 5% by uranium-235, with the remaining 95% or more being uranium-238. During irradiation inside a reactor core, some of the uranium-238 isotopes capture a neutron and become plutonium-239, a long-lived fissionable element that can be used to make nuclear weapons. Each year, an average 1,000-megawatt PWR produces over 200 kilograms of reactor-grade plutonium in its spent fuel. The plutonium-bearing spent fuel may be buried in a repository such as the facility being constructed by the US Department of Energy facility at Yucca Mountain, Nevada, recycled so the plutonium is "burned" as nuclear fuel, or used to make nuclear weapons.

All of the above-mentioned options for the disposition of plutonium-bearing spent fuel raise environment, safety, or non-proliferation issues. One recycling technology, used by a small number of nuclear power plants, is mixed oxide (MOX) fuel, a mixture of uranium oxide and recovered plutonium oxide. MOX fuel has never been used in Russian VVER reactors and, due to its higher cost, MOX fuel has never caught on among most nuclear power generators, which prefer the "once through" fuel cycle, with spent fuel being stored at a high-level waste repository. MOX fuel, in general occupies only a portion of the reactor core, with the remaining portion containing conventional uranium fuel assemblies which generate weapons-usable plutonium in spent fuel.

### ***Competition***

There are four groups of companies that collectively fabricate a large majority of the fuel used in the world's commercial nuclear power plants: Areva (based in France), Westinghouse Electric Company (based in the United States), General Electric (based in the United States), and AtomStroyExport/Tvel (based in Russia). We do not plan to fabricate fuel for reactors. To do so and directly compete with these four groups of companies would require overcoming high barriers to entry that include the cost of building a nuclear fuel fabrication plant, hiring hundreds of workers, and bundling the fuel sales with services for the reactor (We do not provide reactor services). Within the nuclear power industry there have been companies, such as Belgonucleaire, that have developed nuclear fuel designs and licensed the technology to the larger companies that fabricate the fuel. This is our plan. We plan to partner with one or more of the above four companies that fabricate nuclear fuel and sell it to reactor operators, and receive a royalty for the right to utilize our proprietary intellectual property. To the extent that those four companies currently own and may in the future develop new nuclear fuel designs that can be used in the same types of reactors as those targeted by us, the companies can also be viewed as competitors. To date, we have not entered into formal material negotiations with any of these fuel fabricators regarding the potential licensing of our fuel technology to them.

We face different competition for each of our three markets for our proprietary nuclear fuel designs:

Thorium/uranium fuel

Management believes that our thorium/uranium nuclear fuel will offer significant advantages over conventional uranium fuel, including: (1) enhanced proliferation resistance of spent fuel, (2) improved reactor safety, (3) significantly reduced volume, weight and long-term radio-toxicity of spent fuel, and (4) cost savings in the back-end operations (spent fuel management) of the nuclear fuel cycle. We expect the front-end costs (cost of fresh thorium/uranium fuel) to be cost competitive with conventional uranium fuel. At the same time, the back-end (waste handling) costs are expected to be less than that for conventional uranium fuel due to significantly reduced volume and weight of spent thorium/uranium fuel.

The primary barrier to industry adoption of our fuel designs is that the entire industry infrastructure is based on uranium fuel with enrichments of 3-5%. Our designs require plutonium or more highly enriched uranium (up to 20%). Although the designs can be accommodated by most existing reactors, there are no existing fuel fabrication facilities licensed and capable of fabricating commercial lots of fuel containing the more highly enriched uranium and plutonium. There are also transportation and logistics issues with the fuel that must be addressed.

The primary marketing strategy that we intend to pursue with respect to our thorium/uranium fuel product is to form an alliance or alliances with existing nuclear fuel fabricators, to which we would license our intellectual property rights to our thorium/uranium nuclear fuel. An alternative marketing strategy that we may pursue is to form an international consortium that may involve government and/or private sector entities to build “green field” nuclear fuel fabrication facilities. In that case, we would license our intellectual property rights to the thorium/uranium fuel to the consortium that would own and/or operate the new nuclear fuel fabrication facilities.

#### Thorium/reactor-grade plutonium disposing fuel

This fuel technology is designed to provide an effective means to dispose of separated reactor-grade plutonium. As of 2004, there were 274 metric tons of separated reactor-grade plutonium (equivalent of 15,000-20,000 nuclear weapons) stored at various locations around the world. According to *No Future Plutonium?* by Spiez Laboratory, The Swiss NBC Defense Establishment, dated November 2002, another 1,400 metric tons of this potentially weapons useable material are embedded in spent fuel and stored at hundreds of commercial reactor sites around the globe.

Management believes that our thorium/reactor-grade plutonium disposing fuel technology may offer a more economically viable way to dispose of separated reactor-grade plutonium than the mixed oxide (MOX) fuel or long-term storage alternatives. Currently, some nuclear reactor operators, primarily in the European Union and Japan, have their spent fuel reprocessed and re-used in nuclear reactors as MOX fuel. We expect that our thorium/reactor grade plutonium disposing fuel will be less expensive compared to MOX or conventional uranium fuel, assuming that the separated reactor-grade plutonium is available to us at no cost.

The cost of reprocessing spent fuel from reactors and converting it into reactor fuel is typically more expensive than producing new fuel from uranium. Spent reactor fuel has been reprocessed as a method of reducing the amount of nuclear waste in certain locations, particularly in Europe, Russia, and Japan. This reprocessing has resulted in stockpiles of plutonium that has been extracted from the spent reactor fuel. The governments of these countries generally regard this stockpiled plutonium as a liability because they pay to safeguard and secure the plutonium. In these locations, the government may be willing to provide the plutonium free of charge if it can be used to generate electricity in a way that eliminates the plutonium stockpiles. If plutonium can be provided without additional cost, which management believes is likely, and there is no current charge for the reprocessing that occurred in the past, then management believes that our fuel will be substantially less expensive than MOX fuel. If there is a cost for plutonium, then our fuel would still cost much less to produce than MOX, so long as the price charged for plutonium used in our fuel were not substantially higher than the cost of plutonium used in MOX fuel.

The long-term storage alternative faces substantial opposition from the communities chosen as sites, such as Yucca Mountain in Nevada, on grounds of environmental and safety risks. Also, the long life of plutonium means that the stored spent fuel will be a proliferation risk for centuries. The United States and many countries have been committed to the long-term storage alternative for a number of years. In early 2006, in announcing its Global Nuclear Energy Partnership (GNEP), the United States announced that it would work with other countries to develop proliferation-resistant environmentally compatible technologies and processes to promote recycling and reduce the need for storage in long term repositories.

Management believes that benefits offered by thorium/reactor-grade plutonium fuel designs include enhanced proliferation resistance, improved reactor safety, and significantly reduced volume, weight and long-term radio-toxicity of spent fuel.

Our marketing strategy with respect to thorium/reactor-grade plutonium disposing fuel is to educate reactor operators, who presently own stockpiles of separated reactor-grade plutonium and are forced to pay ongoing plutonium storage fees, about the benefits offered by this fuel technology to convince them to recycle these plutonium stockpiles in their reactors using thorium/reactor-grade plutonium disposing fuel. This strategy is attuned with GNEP and the strategies

of countries that wish to recycle but are not committed to MOX technology.

Thorium/weapons-grade plutonium disposing fuel

This fuel design (the Radkowsky Thorium Plutonium Incinerator, or RTPI) was developed to meet the needs of the U.S.-Russia plutonium disposition program. It is the policy of those countries to eliminate their extensive stockpiles of surplus weapons grade plutonium. In 2000, the U.S. and Russia signed a bi-lateral agreement, committing each country to dispose of 34 metric tons of surplus weapons-grade plutonium. Originally, a mixed oxide (MOX) fuel technology, promoted by Areva, was selected by the U.S. Department of Energy (DOE) for both the United States and Russia to accomplish this mission. However, over the past several years, the implementation of the 2000 plutonium disposition agreement has been delayed due to political, financial, and technical issues experienced by the MOX program. During the fiscal years from 1999-2005, Congress appropriated a total of over \$3 billion for the MOX program. Despite such significant funding levels, the MOX program has experienced substantial schedule slippage and has made little progress since 1999 toward accomplishing the goal of plutonium disposition. In the consideration of FY07 appropriations, several members of Congress and Committees have publicly expressed doubts the MOX program should continue.

Management believes that our thorium/weapons-grade plutonium disposing fuel could offer a faster, cheaper, and more effective means to dispose of excess quantities of weapons-grade plutonium by “burning” it using the RTPI fuel design in existing VVER nuclear power plants in Russia (a similar design may be usable in the US and other Western countries). We plan to educate government officials and key decision-makers to convince them to use this technology for the plutonium disposition mission.

### ***Sources and Availability of Raw Materials***

We are a fuel designer that intends to license its technology to fuel fabricators. Accordingly, we do not plan to utilize any raw materials in the conduct of our operations. However, the fuel fabricators which potentially will license our fuel designs in the future will need thorium and uranium to fabricate thorium-based fuels.

All of our nuclear fuel designs require both thorium and uranium in the oxide form which are the main raw materials for blanket rods. The seed rods can contain either enriched uranium or plutonium metals mixed with zirconium.

The current demand for thorium is very low. Thorium is sometimes used in government flares, camping lantern wicks and in other products in small quantities. If thorium based fuels become commercially accepted in the nuclear power industry, there would be a significant increase in the demand for thorium. According to the International Atomic Energy Agency, or IAEA, thorium is over three times more naturally abundant than uranium and is found in large quantities in monazite sands in many countries, including, Australia, India, the United States of America, and China. Several companies that process monazite sands to extract rare earth minerals for use in other markets have stockpiled thorium as a byproduct with no significant current market. Currently, there is no large supplier of thorium.

Uranium and zirconium are available to the fuel fabricators from various suppliers at market driven prices. Weapons-grade plutonium, which would be used to fabricate Thorium Power’s weapons grade plutonium disposing fuel, is generally unavailable. However, governments that have developed nuclear weapons capabilities could use our fuel designs to dispose of their excess weapons-grade plutonium. Reactor-grade plutonium is available in Europe, Russia and Japan from reprocessed spent fuel. The transfer and use of reactor-grade plutonium is highly regulated.

Nuclear fuel generally works as a tolling operation. Rather than ordering assembled nuclear fuel, reactor operators separately source (1) uranium, (2) services to convert the uranium into uranium hexafluoride gas that is capable of being enriched, (3) uranium enrichment services, and then (4) pay a nuclear fuel fabricating company to fabricate the enriched uranium into nuclear fuel. We expect that when its fuel is ordered in the future by a reactor operator from a nuclear fuel fabrication company, following the standard nuclear power industry model, the reactor operator will need to provide the thorium materials that the nuclear fuel fabricating company will use to fabricate the nuclear fuel. It will then be necessary for the nuclear reactor operator to obtain thorium material on a timely basis and on acceptable terms. Management believes that reactor operators will readily be able to obtain thorium on a timely basis and on acceptable terms, given that thorium is at least three times as abundant as uranium in the earth, and that the extraction method for thorium is well established and is used for extracting thorium for various small-scale industrial applications.

### ***Dependence Upon Government Support and Cooperation***

Management believes that deployment and commercialization of the thorium/uranium and reactor-grade plutonium disposing fuel designs can be largely completed without direct government support. These fuel designs are more dependent on interest in these fuels within the commercial nuclear power industry.

Successful development and deployment of our thorium/weapons-grade plutonium disposing fuel technology, however, is dependent upon government support. This fuel design is being developed for application in the U.S.-Russia plutonium disposition mission that is a government program run by the National Nuclear Security



Administration (NNSA) of the U.S. Department of Energy (DOE) and its Russian government counterparts pursuant to the plutonium disposition agreement the United States and Russia entered into in 2000. The total cost to carry out the plutonium disposition mission will be in the billions of dollars. To date, the plutonium disposition program in the United States and Russia has been funded primarily by the U.S. government. The G-8 countries have made funding commitments for approximately \$800 million toward the Russian part of the plutonium disposition program but have not yet provided the funds.

In the fiscal year 2004 federal budget cycle, the U.S. Congress appropriated \$4 million for testing and evaluation of our thorium/weapons-grade plutonium disposing fuel technology for the plutonium disposition mission in Russia. Additional funding support is required from the U.S. and other governments to complete the development, testing, demonstration and deployment of our thorium/weapons-grade plutonium disposing fuel.

### ***Intellectual Property***

Our nuclear fuel technologies are protected by several U.S. and international patents. Our current patent portfolio is comprised of the following patents:

U.S. patents:

- o Patent No. 6,026,136, a seed-blanket unit fuel assembly for a nuclear reactor
- o Patent No. 5,949,837, a nuclear reactor having a core including a plurality of seed-blanket units
- o Patent No. 5,864,593, a method for operating a nuclear reactor core comprised of at least first and second groups of seed-blanket units
- o Patent No. 5,737,375, a nuclear reactor having a core including a plurality of seed-blanket units

The U.S. patents expire August 16, 2014.

International patents:

- o Russia - Patent No. 2,176,826
- o Russia - Patent No. 2,222,837
- o South Korea - Patent No. 301,339
- o South Korea - Patent No. 336,214
- o China - Patent No. ZL 96196267.4

The international patents expire August 16, 2014.

Presently, we are executing a strategy aimed at expanding our intellectual property portfolio.

### ***Regulation***

No safety regulatory approval is required to design thorium-based nuclear fuels, although certain technology transfers may be subject to national and international export controls. However, the testing, fabrication and use of nuclear fuels by our future partners and licensees are heavily regulated. The Kurchatov Institute and other locations where our fuel designs may be initially tested require governmental approvals from the host country's nuclear regulatory authority to test fuel in research reactors and other nuclear testing facilities. The Kurchatov Institute has obtained such approvals from the Russian nuclear regulatory authorities for the ongoing tests of our fuel designs that are taking place at Russian facilities. Nuclear fuel fabricators, which will potentially fabricate fuel using our technology under licenses from us, are similarly regulated. Nuclear power plants that may utilize the fuel produced by these fuel fabricators require specific licenses relating to possession and use of nuclear materials as well as numerous other governmental

approvals for the ownership and operation of nuclear power plants.

***Employees***

As of September 12, 2006, we had 8 employees, 6 of which were full-time employees. We believe that our relationship with our employees is satisfactory.

We use consultants with specific skills to assist with various business functions including evaluation, finance, due diligence, acquisition initiatives, corporate governance, business development, research and development and government relations.

## PROPERTIES

We are obligated to pay approximately \$10,000 per month for office rent and approximately another \$2,500 per month for other fees for the rented office space located at 8300 Greensboro Drive, Suite 800, McLean, Virginia 22102. The space is used by our executives for administrative purposes. The term of the lease expires for one office on April 30, 2007 and for the other offices in the summer of 2007.

## DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS.

### Directors and Executive Officers

Set forth below are the names of our current directors, officers and significant employees, their ages, all positions and offices that they hold with us, the period during which they have served as such, and their business experience during at least the last five years.

**SETH GRAE.** Mr. Grae, age 43, was named the Chief Executive Officer and President of the Company on March 17, 2006, and effective April 2, 2006, became a director of the Company.

Mr. Grae was the President, the Chief Executive Officer and a director of Thorium Inc. prior to the merger with the Company. Mr. Grae has played an active role in all business activities of Thorium Inc. since its inception in 1992. Mr. Grae led the efforts that resulted in Thorium Inc.'s project at the Kurchatov Institute becoming one of the first grant recipients from the United States Department of Energy ("DOE") for nuclear non-proliferation-related work in Russia. He is a member of the board of directors of the Bulletin of the Atomic Scientists and has served as co-chair of the American Bar Association's Committee on Arms Control and Disarmament. As a former member of the board of directors of the Lawyers Alliance for World Security, Mr. Grae helped advise on the drafting of nuclear export control regulations in China and Belarus, and he participated in consultations with the government of India on nuclear power and weapons. On a pro bono basis, he represented refuseniks, who were nuclear scientists, in securing exit visas from the Soviet Union. Mr. Grae obtained his B.A. from Brandeis University cum laude, J.D. from American University, LL.M. in International Law with honors from Georgetown University and M.B.A. from Georgetown University. He has been admitted to the bars of New York, Connecticut, and Florida (all now inactive).

**THOMAS GRAHAM, JR.** Ambassador Graham, age 73, became a director of the Company on April 2, 2006, and chairman of the board of directors on April 4, 2006.

Ambassador Graham is one of the world's leading experts in nuclear non-proliferation. He is Chairman of the Board of the Cypress Fund for Peace and Security. Ambassador Graham has served as a senior U.S. diplomat involved in the negotiation of every major international arms control and non-proliferation agreement for the past 35 years, including the Strategic Arms Limitations Talks (SALT), Strategic Arms Reduction Talks (START Treaties), Anti-Ballistic Missile (ABM) Treaty, Intermediate Nuclear Forces (INF) Treaty, Nuclear Non-Proliferation Treaty (NPT), Conventional Armed Forces in Europe (CFE) Treaty and Comprehensive Test Ban Treaty (CTBT). In 1993, Ambassador Graham served as the Acting Director of the U.S. Arms Control and Disarmament Agency (ACDA), and for seven months in 1994 served as the Acting Deputy Director. From 1994 through 1997, he served as the Special Representative of the President of the United States for Arms Control, Non-Proliferation and Disarmament, and in this capacity successfully led U.S. government efforts to achieve the permanent extension of the NPT. He also served for 15 years as the general counsel of ACDA. Ambassador Graham worked on the negotiation of the Chemical Weapon Convention and the Biological Weapons Convention. He drafted the implementing legislation for the Biological Weapons Convention and managed the Senate approval of the ratification of the Geneva Protocol banning the use in war of chemical and biological weapons. He is also Chairman of the Board of Mexco Energy Corporation, an oil and gas exploration company listed on the American Stock Exchange (stock ticker symbol MXC). Ambassador Graham received an A.B. in 1955 from Princeton and a J.D. in 1961 from Harvard University. He is a member of the

Kentucky, the District of Columbia and the New York Bars and is a member of the Council on Foreign Relations. He chaired the Committee on Arms Control and Disarmament of the American Bar Association from 1986-1994. Ambassador Graham received the Trainor Award for Distinction in Diplomacy from Georgetown University in 1995.

**VICTOR E. ALESSI.** Dr. Alessi, age 66, became a director of the Company on August 23, 2006.

Dr. Victor E. Alessi is President Emeritus of the United States Industry Coalition (“USIC”), an organization dedicated to facilitating the commercialization of technologies of the New Independent States (“NIS”) of the former Soviet Union through cooperation with its members. He has held such position since August 1, 2006; prior to becoming President Emeritus, Dr. Alessi held the positions of CEO and President of USIC since 1999. Previously, he was President of DynMeridian, a subsidiary of DynCorp, specializing in arms control, nonproliferation, and international security affairs. Before joining DynMeridian in early 1996, Dr. Alessi was the Executive Assistant to the Director, U.S. Arms Control and Disarmament Agency (“ACDA”). At ACDA he resolved inter-bureau disputes, and advised the Director on all arms control and nonproliferation issues. Dr. Alessi served as Director of the Office of Arms Control and Nonproliferation in the Department of Energy (“DOE”) prior to his work at ACDA, overseeing all DOE arms control and nonproliferation activities. As a senior DOE representative, Dr. Alessi participated in U.S. efforts that led to successful conclusion of the Intermediate Nuclear Forces (INF), Conventional Forces in Europe, Threshold Test Ban, Peaceful Nuclear Explosions, Open Skies, Strategic Arms Reductions Talks Treaties and the Chemical Weapons Convention. In this role, he was instrumental in implementing the U.S. unilateral nuclear initiative in 1991 and was a member of the U.S. delegation discussing nuclear disarmament with Russia and other states of the former Soviet Union. He was in charge of DOE’s support to the U.N. Special Commission on Iraq, to the Nunn-Lugar Initiative, and represented DOE in discussions on the Comprehensive Test Ban (“CTB”) with the other nuclear weapons states before the CTB negotiations began in Geneva in 1994. Dr. Alessi has been the U.S. board member to the International Science and Technology Center in Moscow since its founding. He is also the U.S. board member to the Science and Technology Center in Ukraine. Dr. Alessi is a 1963 graduate of Fordham University, where he also earned a licentiate in Philosophy (Ph.L.) in 1964. He studied nuclear physics at Georgetown University, receiving his M.S. in 1968 and Ph.D. in 1969.

**JACK D. LADD.** Mr. Ladd, age 57, became a director of the Company on October 23, 2006.

Mr. Ladd is the Director of the John Ben Shepperd Leadership Institute of the University of Texas, Permian Basin. He has held this position since September 2004. Prior to that time, Mr. Ladd was a practicing attorney with the law firm of Stubbeman, McRae, Sealy, Laughlin & Browder, Inc., in Midland, Texas for 28 years. Mr. Ladd is currently the Chairman of the Texas State Securities Board. Mr. Ladd has almost three decades of experience in public affairs, law, governance, and public service. As a practicing attorney, he has served on numerous civic, educational, religious and governmental boards and committees. He holds the Doctor of Jurisprudence degree from The University of Texas in Austin and a B.A. from the University of Texas in Austin.

**DANIEL B. MAGRAW, JR.** Mr. Magraw, age 60, became a director of the Company on October 23, 2006.

Mr. Magraw is a leading expert on international environmental law and policy. Mr. Magraw is President and CEO of the Center for International Environmental Law (CIEL). He has held this position since 2001. From 1992-2001, he was Director of the International Environmental Law Office of the US Environmental Protection Agency. He is a member of the U.S. Department of State Study Group on International Business Transactions and was Chair of the 15,000-member Section of International Law and Practice of the American Bar Association. He practiced international law, constitutional law, and bankruptcy law at Covington & Burling in Washington, DC from 1978-1983. Mr. Magraw is a widely-published author in the field of international environmental law. He is a graduate of Harvard University and the University of California, Berkeley Law School. Since 1996, Mr. Magraw has been a member of the board of directors of Thorium Inc., which is now a wholly-owned subsidiary of the Company.

**ERIK HÄLLSTRÖM.** Mr. Hällström, age 38, became the Chief Operating Officer of the Company on February 1, 2007.

Mr. Hällström is a native of Sweden. He served as a lieutenant in that nation's military, and as diplomat at the Swedish Embassy in Moscow with a focus on energy, manufacturing and environmental issues. From 1994 - 2002, Mr. Hällström worked with the Boston Consulting Group in Europe and North America, where he managed initiatives to create new high tech businesses and advised numerous multinational companies on their strategic direction. Most recently, from 2003 - 2006, Mr. Hällström served as Senior Vice President of WorldSpace Satellite Radio, an early provider of satellite-based radio to markets in Asia, Europe, the Middle East and Africa. He holds a Master's degree in Engineering from the Royal Institute of Technology in Sweden, a Master's degree in Economics and Business Administration from the Stockholm School of Economics and an MBA with distinction from INSEAD in France.

**LARRY GOLDMAN.** Mr. Goldman, age 50, became the Treasurer and Acting Chief Financial Officer of the Company on June 13, 2006.

Mr. Goldman is a certified public accountant with over 20 years of auditing, consulting and technical experience as a partner in a mid-size New York City based accounting firm, working with a wide variety of companies, assisting them in streamlining their operations and increasing profitability. Prior to joining the Company, Mr. Goldman worked as the Chief Financial Officer, Treasurer and Vice President of Finance of WinWin Gaming, Inc. (OTCBB: WNWN), a multi-media developer and publisher of sports, lottery and other games. Prior to joining WinWin, in October 2004, Mr. Goldman was a partner at Livingston Wachtell & Co., LLP and had been with that firm for the past 19 years. Mr. Goldman is also an independent director and audit committee chairman of Winner Medical Group Inc. (OTCBB: WMDG.OB), a China based manufacturer of medical disposable products and surgical dressings. Mr. Goldman has extensive experience in both auditing and consulting with public companies, and has experience providing accounting and consulting services to the Asian marketplace, having audited several Chinese public companies.

**ANDREY MUSHAKOV.** Mr. Mushakov, age 30, became the Executive Vice President - International Nuclear Operations of the Company on July 27, 2006.



Mr. Mushakov has served as Treasurer and Secretary of Thorium Power, Inc. since 2003. He is the primary liaison between Thorium Power and the Russian nuclear institutes in Moscow. Mr. Mushakov has expertise in financial analysis, financial planning and budgeting, financial reporting and accounting, structuring business transactions, and government contract negotiations. In 2004, Mr. Mushakov led successful negotiations with officials from the National Nuclear Security Administration and Oak Ridge National Laboratory (ORNL) that resulted in signing of a \$3.5 million government contract between ORNL and Kurchatov Institute for work relating to the Thorium Power's nuclear fuel development effort in Russia. His prior experience includes finance-related work in the banking and construction sectors. Mr. Mushakov has the following degrees: PhD in Economics from St. Petersburg State University of Economics and Finance (Russia), MS in Management with excellence (MBA equivalent) from Hult International Business School (formerly the Arthur D. Little School of Management), where he was enrolled as a recipient of the Russian President's Scholarship, and BS in Banking and Finance with honors from the Finance Academy of Russia.

### **DISCLOSURE OF COMMISSION POSITION OF INDEMNIFICATION FOR SECURITIES ACT LIABILITIES**

Thorium Power's bylaws provide that its directors and officers will be indemnified to the fullest extent permitted under the laws of Nevada. Pursuant to Nevada General Corporation law, a corporation may indemnify any of its directors and officers 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 such conduct was unlawful. In addition, the Company has obtained a Directors and Officers' Insurance Policy with AIG for a coverage limit of \$10 million.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the small business issuer pursuant to the foregoing provisions, or otherwise, we have 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.

### **SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth information known to us with respect to the beneficial ownership of our Common Stock as of the close of business on the Record Date for: (i) each person known by us to beneficially own more than 5% of our voting securities, (ii) each executive officer, (iii) each of our directors and nominees, and (iv) all of our executive officers and directors as a group:

<b>Name and Address of Beneficial Owner(1)</b>	<b>Amount and Nature of Beneficial Ownership(1) (2)</b>	<b>Percent of Common Stock(3)</b>
Seth Grae	21,500,982	7.03%
Thomas Graham, Jr.	2,586,329	0.87%
Andrey Mushakov	3,244,793	1.08%
Larry Goldman	241,665	0.08%
Daniel B. Magraw	506,774	0.17%
Victor E. Alessi	166,668	0.06%
Jack D. Ladd	253,248	0.08%
Erik Hallstrom	263,889	0.09%
OTC Investments Ltd. 1710-1177 West Hastings St. Vancouver, BC V6E 2L3 Canada	15,000,000(4)	5.03%



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Directors and Officers as a Group (seven people)	28,764,348	9.45%
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\* Denotes less than 1% of the outstanding shares of Common Stock.

(1) The number of shares beneficially owned is determined under SEC rules, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under those rules, beneficial ownership includes any shares as to which the individual has sole or shared voting power or investment power, and also any shares which the individual has the right to acquire within 60 days of the Record Date, through the exercise or conversion of any stock option, convertible security, warrant or other right (a "Presently Exercisable" security). Including those shares in the table does not, however, constitute an admission that the named shareholder is a direct or indirect beneficial owner of those shares.

- (2) Unless otherwise indicated, each person or entity named in the table has sole voting power and investment power (or shares that power with that person's spouse) with respect to all shares of common stock listed as owned by that person or entity.
- (3) A total of 297,945,650 shares of the Company's common stock are considered to be outstanding pursuant to Rule 13d-3(d)(1) under the Securities Exchange Act of 1934. For each beneficial owner above, any options exercisable within 60 days have been included in the denominator.
- (4) Shares owned as of September 12, 2007, based upon public filings with the SEC

**EXECUTIVE COMPENSATION**

The following table sets forth information concerning all cash and non-cash compensation awarded to, earned by or paid to the named executive officers during the 2006 fiscal year.

**SUMMARY COMPENSATION TABLE - 2006**

Name and Principal Position	Year	Salary (\$)	Stock Awards (\$)	Option Awards (\$)	Total (\$)
Charles Merchant Interim CEO and COO (1)	2006	0	127,500(4)	0	127,500
Seth Grae CEO, President and Director (2)	2006	254,762(3)	5,050,000(4)	1,319,240(5)	6,624,002
Andrey Mushakov Executive VP – Int’l Nuclear Operations (6)	2006	148,999	1,050,000(4)	159,312(7)	1,358,311
Thomas Graham, Jr. – Chairman (9)	2006	91,722	26,250(4)	186,567(8)	304,539

(1) Mr. Merchant served as the Company’s interim Chief Executive Officer from December 1, 2005 until March 17, 2006.

(2) Mr. Grae was named the Chief Executive Officer and President of the Company on March 17, 2006, and effective April 2, 2006, became a director of the Company.

(3) Mr. Grae was paid an additional \$345,833 for wages that were accrued and owed for prior years salary.

(4) The valuation of stock based compensation is based in accordance with Statement of Financial Accounting Standards No. 123 (revised 2004), “Share-Based Payment”, which requires the measurement of the cost of employee services received in exchange for an award of an equity instrument on the grant-date fair value of the award.

(5) The fair market value of Mr. Grae’s stock options was calculated as of the date of grant using the Black-Scholes option pricing model. Accordingly, the fair value was calculated using a risk-free interest rate of 4.33% and a volatility factor of 283.57%.

(6) Mr. Mushakov was paid an additional \$41,667 for wages that were accrued and owed for prior years salary.

(7) The fair market value of Mr. Mushakov’s stock options was calculated as of the date of grant using the Black-Scholes option pricing model. Accordingly, the fair value was calculated using a risk-free interest rate of 4.45% and a volatility factor of 122.97%.

(8) The fair market value of Mr. Graham’s stock options was calculated as of the date of grant using the Black-Scholes option pricing model. Accordingly, the fair value was calculated using a risk-free interest rate of ranging from 3.86% to 4.45%, and a volatility factor ranging from 108.35% to 122.97%.

(9) Though his official title is Chairman of the Board of Directors, Mr. Graham is considered to be an executive officer of the Company.

Narrative disclosure to summary compensation table

On February 14, 2006, the Company entered into an employment agreement with Seth Grae, wherein the Company agreed to pay to Mr. Grae an annual salary of \$275,000 for performing the duties described in the employment agreement. In addition, the Company agreed to issue to Mr. Grae 5,000,000 shares of common stock; all 5,000,000 shares of stock vested immediately on issuance. Mr. Grae's employment officially commenced on March 17, 2006, the date that the Company obtained D&O liability insurance coverage, and terminates on the fifth anniversary of the date of the agreement.

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Also on February 14, 2006, the Company entered into an option agreement with Seth Grae, wherein the Company granted 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. Mr. Grae's option vested with respect 6/48 of the total number of shares on the six month anniversary of the option agreement, and the remaining shares vest in equal monthly installments of 1/48 the total number of shares until all shares underlying the Option have vested. Mr Grae's option will immediately and automatically vest in full upon a Change of Control, the termination of Mr. Grae's employment by the Company without Cause, or the termination of Mr. Grae's employment by Mr. Grae for Good Reason. "Change of Control," "Cause," and "Good Reason" are each defined in that certain employment agreement between Mr. Grae and the Company, dated February 14, 2006.

Additionally, in December 2006, the Board of Directors granted to Mr. Grae 3 million shares of the Company's common stock as a year end 2006 bonus.

On July 27, 2006, the Company entered into an employment agreement with Andrey Mushakov, the Company's Executive Vice President for International Nuclear Operations. Under the terms of the Mr. Mushakov's employment agreement, the Company agreed to pay Mr. Mushakov an annual base salary of \$160,000 as consideration for performance of his duties as an officer of the Company. Since this agreement was entered into prior to the consummation of the acquisition of our subsidiary, Thorium Power, Inc. ("TP Inc."), the agreement provided that, during the period prior to the acquisition, so long as Mr. Mushakov is also employed as an executive at TP Inc, to the extent that Mr. Mushakov is compensated by TP Inc. for such services, then any cash compensation actually received by the Mr. Mushakov from TP Inc. for services rendered in his capacity as their executive was to be credited towards Mr. Mushakov's Base Salary. Since the acquisition has already been consummated, all of Mr. Mushakov's compensation is now paid exclusively by the Company. Mr. Mushakov is also entitled to a bonus of up to 50% of his base salary, as determined by the board of directors of the Company at their discretion.

Additionally, the Company agreed (i) to issue to Mr. Mushakov 1,500,000 shares of common stock of the Company and (ii) to grant to Mr. Mushakov pursuant to the Company's Second Amended and Restated 2006 Stock Plan, a non-qualified ten-year option for the purchase of 2,250,000 shares of the common stock of the Company, at an exercise price of \$0.49 per share. Mr. Mushakov's option vested with respect 5/48 of the total number of shares on the date of grant, and the remaining shares vest in equal monthly installments of 1/48 the total number of shares until all shares underlying the Option have vested. Mr. Mushakov's option will immediately and automatically vest in full upon a Change of Control, the termination of Mr. Mushakov's employment by the Company without Cause, or the termination of Mr. Mushakov's employment by Mr. Mushakov for Good Reason. "Change of Control," "Cause," and "Good Reason" are each defined in that certain employment agreement between Mr. Mushakov and the Company, dated July 27, 2006.

In December 2006, the Board of Directors granted to Mr. Mushakov 1 million shares of the Company's common stock as a year end 2006 bonus.

On July 27, 2006, the Company entered into an employment agreement with Thomas Graham, Jr., the Chairman of the Company. Under the terms of the Mr. Graham's employment agreement, the Company agreed to pay Mr. Graham an annual salary of \$130,000, as consideration for performance of his duties as an officer of the Company. In addition, the Company agreed to grant to Mr. Graham a ten-year incentive stock option for the purchase of 1,500,000 shares of the common stock the Company, at an exercise price of \$0.49 per share. The initial term of the Mr. Graham's employment agreement is one year and will automatically extend for additional one-year periods unless terminated by either party in accordance with its terms and conditions.

On July 27, 2006, the Company granted to Mr. Graham, pursuant to the Company's Second Amended and Restated 2006 Stock Plan, a non-qualified ten-year option for the purchase of 1,500,000 shares of the common stock of the Company, at an exercise price of \$0.49 per share. Mr. Graham's option vested with respect 1/36 of the total number of shares on the date of grant, and the remaining shares vest in equal monthly installments of 1/36 the total number of

shares until all shares underlying the Option have vested. Mr. Graham's option will immediately and automatically vest in full upon a Change of Control, the termination of Mr. Graham's employment by the Company without Cause, or the termination of Mr. Graham's employment by Mr. Graham for Good Reason. "Change of Control," "Cause," and "Good Reason" are each defined in that certain employment agreement between Mr. Graham and the Company, dated July 27, 2006.

On December 15, 2006, the Company and Mr. Graham entered into an agreement whereby the parties cancelled an option, held by Mr. Graham, to purchase 2,562,780 shares of the Company's common stock at an exercise price of \$10.00. In consideration for terminating the options above, the Company then granted to Mr. Graham a non-qualified two-year option for the purchase of 467,242 shares of the common stock of the Company, at an exercise price of \$0.30 per share. The pricing and amount of shares granted to Mr. Graham was determined using the Black-Scholes option pricing model, so that the value of the cancelled and newly granted shares was the same.

In June 2007, Mr. Graham and the Company entered into an employment agreement, effective August 1, 2007, that superceded the prior employment agreement dated July 26, 2007. Under the terms of the new agreement, the Company agreed to pay Mr. Graham an annual salary of \$210,000, as consideration for performance of his duties as an officer of the Company. In addition, the Company agreed to grant to Mr. Graham a ten-year incentive stock option for the purchase of 1,500,000 shares of the common stock of the Company at an exercise price of \$0.27 per share. The initial term of Mr. Graham's employment agreement is one year and will automatically extend for additional one-year periods unless terminated by either party in accordance with its terms and conditions.

On July 5, 2007, the Company granted to Mr. Graham, pursuant to the Company's Second Amended and Restated 2006 Stock Plan, a non-qualified ten-year option for the purchase of 1,500,000 shares of the common stock of the Company, at an exercise price of \$0.27 per share. Mr. Graham's option vested with respect 1/36 of the total number of shares on the date of grant, and the remaining shares vest in equal monthly installments of 1/36 the total number of shares until all shares underlying the Option have vested. Mr. Graham's option will immediately and automatically vest in full upon a Change of Control, the termination of Mr. Graham's employment by the Company without Cause, or the termination of Mr. Graham's employment by Mr. Graham for Good Reason. "Change of Control," "Cause," and "Good Reason" are each defined in that certain employment agreement between Mr. Graham and the Company, dated August 1, 2007.

### OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END - 2006

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Unearned Shares, Units or Other Rights That Have Not Vested (#)	Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Seth Grae, President, CEO and Director	1,500,000	5,700,000	N/A	\$ 0.795	02/14/16	0	N/A	0	0
Andrey Mushakov Executive VP – Int'l Nuclear Operations	468,750	1,781,250	N/A	\$ 0.49	07/27/16	0	N/A	0	0
Thomas Graham, Jr. – Chairman	250,000	1,244,624	N/A	\$ 0.49	07/27/16	0	N/A	0	0
	467,242	0	N/A	\$ 0.30	12/15/08	0	N/A	0	0

- The vesting schedules for each of the options listed is included in the respective narrative description set forth below.
- Mr. Grae was initially granted 150,000 stock options pursuant to his employment with Thorium Power Inc. ("TP Inc."), prior to the merger with the Company. Upon consummation of the merger on October 6, 2006, and pursuant to the Agreement and Plan of Merger between the Company and TP Inc., these options to purchase 150,000 shares

of TP Inc., at an exercise price of \$4.00 per share, were converted into options to purchase 3,844,170 shares of the Company at an exercise price of \$0.156.

3. Mr. Grae was initially granted 28,000 stock options pursuant to his employment with TP Inc. prior to the merger with the Company. Upon consummation of the merger on October 6, 2006, and pursuant to the Agreement and Plan of Merger between the Company and TP Inc., these options to purchase 28,000 shares of TP Inc., at an exercise price of \$10.00 per share, were converted into options to purchase 1,486,412 shares of the Company at an exercise price of \$0.39.
4. On January 16, 2007, these options were repriced to \$0.50 and the term of the option was extended to January 31, 2009; on January 16, 2007, the trading price of the Company's common stock was \$0.38.
5. Mr. Mushakov was initially granted 37,500 stock options pursuant to his employment with TP Inc. prior to the merger with the Company. Upon consummation of the merger on October 6, 2006, and pursuant to the Agreement and Plan of Merger between the Company and TP Inc., these options to purchase 37,500 shares of TP Inc., at an exercise price of \$4.00 per share, were converted into options to purchase 961,043 shares of the Company at an exercise price of \$0.156.

Narrative to outstanding equity awards table

This information is located in the narrative to the summary compensation table above.



**DIRECTOR COMPENSATION - 2006**

Name	Fees Earned or Paid in		Option Awards	Total
	Cash (\$)	Stock Awards (\$)(1)		
Victor Alessi	13,333	0	208,832(2)	222,165
Jack Ladd	5,000	3,308	199,933(2)	208,241
Daniel Magraw	5,000	3,308	199,933(2)	208,241

(1) There were no outstanding stock awards as of December 31, 2006.

(2) Each of Messrs. Alessi, Ladd and Magraw have an aggregate of 500,000 option awards outstanding as of December 31, 2006.

Narrative to director compensation table

We currently have three independent directors: Victor Alessi, Jack Ladd and Daniel Magraw. Mr. Alessi became a director of the Company on August 21, 2006. Pursuant to the Independent Director Contract between Mr. Alessi and the Company, Mr. Alessi receives \$40,000 in cash per year for acting as a director of the Company. Messrs. Ladd and Magraw became directors of the Company on October 23, 2006. Pursuant to their respective Independent Director Contracts with the Company, each of Messrs. Ladd and Magraw receives \$20,000 in cash per year and \$20,000 worth of the Company's common stock per year for serving on the board of directors of the Company.

Additionally, each of Messrs. Alessi, Ladd and Magraw were granted non-qualified options to purchase up to 500,000 shares of the common stock of the Company which shall vest with respect to 1/36 of the total number of shares on the one month anniversary of the date of grant; the remaining shares will subsequently vest 1/36 on the first day of each month thereafter until all options have vested. Each option shall immediately and automatically vest in full upon the termination of the respective director's employment by the Company without cause.

Except for Messrs. Alessi, Ladd and Magraw, all of our current directors are also our officers and are compensated for the services that they provide to us in their capacity as officers. Other than Messrs. Alessi, Ladd and Magraw, our current directors do not receive any additional compensation for the services they provide to us as directors. Directors are reimbursed for out of pocket expenses incurred as a result of their participation on our board

**LEGAL PROCEEDINGS**

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. We are currently not aware of any such legal proceedings or claims that we believe will have a material adverse affect on our business, financial condition or operating results.

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

Other than as set forth in this item, there are no relationships, transactions, or proposed transactions to which the registrant was or is to be a party, in which any of the named persons set forth in Item 404 of Regulation SB had or is to have a direct or indirect material interest.

**CHANGE IN ACCOUNTANTS**

There has been no disagreement with the Registrant's principal accountant, nor has the Registrant's principal account resigned or been dismissed within the two years prior to the date of this prospectus.

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## SELLING STOCKHOLDERS

An aggregate of 112,544,149 shares of our common stock may be offered for sale and sold pursuant to this prospectus by the selling stockholders. These shares consist of:

- 4,209,998 shares of our common stock issued pursuant to the private placement completed in November 23, 2005;
- 4,208,331 shares of our common stock issued pursuant to the private placement completed on February 14, 2006;
- 38,228,976 shares of our common stock, and 18,441,350 shares underlying warrants issued pursuant to the private placement completed on May 4, 2006; and
- 733,197 shares of our common stock, and 366,599 shares underlying warrants, which represent the current number of securities 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; and
- 46,950,834 shares of our common stock and 107,500 shares underlying warrants that were issued to consultants of the Company or that were issued on the effective date of the merger between Novastar Resources and Thorium Power, Inc. to persons who were affiliates of Thorium Power, Inc. prior to the merger.

These shares are to be offered by and for the respective accounts of the selling stockholders and any pledgees, donees, assignees and transferees or successors-in-interest of the respective selling stockholders. We have agreed to register all of such securities under the Securities Act and to pay all of the expenses in connection with such registration and sale of the shares (other than underwriting discounts and selling commissions and the fees and expenses of counsel and other advisors to the selling securityholders).

The following table and notes to the table sets forth, with respect to each selling stockholder:

- the name of the selling stockholder and any material relationship the selling stockholder has had with us over the past three years;
- the number of shares of our common stock beneficially owned by the selling stockholder as of the date of this prospectus;
- the number of shares of our common stock being offered for sale by the selling stockholder pursuant to this prospectus; and
- the number of shares of our common stock and percentage that will be beneficially owned by the selling stockholder assuming the selling stockholder disposes of all of the shares being offered pursuant to this prospectus.

Except as set forth in the footnotes to the table below, none of the selling stockholders has held a position as an officer or director of us, nor has any selling stockholder had any material relationship of any kind with us or any of our affiliates. All information with respect to share ownership has been furnished by the selling stockholders. The shares being offered are being registered to permit public secondary trading of the shares and each selling stockholder may offer all or part of the shares owned for resale from time to time. In addition, unless otherwise specified in the footnotes to the table below, none of the selling stockholders has any family relationships with our officers, directors or controlling stockholders.

Unless otherwise specified in the footnotes to the table below, none of the selling stockholders is a registered broker-dealer or an affiliate of a registered broker-dealer. All persons who are identified as registered broker-dealers

or affiliates of registered broker-dealers in the footnotes to the table below are underwriters of the securities listed in the table below opposite their respective names. Further, any entity listed as an affiliate of a registered-broker dealer has represented to us that they acquired the securities to be resold in the ordinary course of business and that at the time of the acquisition they did not have any agreements, understandings or arrangements with any other persons, either directly or indirectly, to dispose of the securities.

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Name	Beneficial Ownership Before the Offering	Shares of Common Stock included in Prospectus	Beneficial Ownership After the Offering	Percentage of Common Stock Owned After the Offering*
Magnetar Capital Master Fund, Ltd.	15,150,000(1)	15,150,000(1)	0	0%
WTC-CIF Technical Equity Portfolio (nominee: Finwell & Co.)	2,590,950(2)	2,590,950(2)	0	0%
Raytheon Master Pension Trust (nominee: Bost & Co.)	2,584,650(3)	2,584,650(3)	0	0%
Raytheon Master Pension Trust	1,261,200(4)	1,261,200(4)	0	0%
WTC-CIF Opportunistic Equity Portfolio (nominee: Finwell & Co.)	1,177,200(5)	1,177,200(5)	0	0%
Raytheon Master Pension Trust (nominee: Bost & Co.)	678,000(6)	678,000(6)	0	0%
Madeira Partners, L.P.	614,700(7)	614,700(7)	0	0%
Madeira Investors (Bermuda) L.P.	594,600(8)	594,600(8)	0	0%
The Hartford Mutual Funds, Inc.: The Hartford Capital Appreciation II Fund (nominee: Bamaclewind & Co.)	562,500(9)	562,500(9)	0	0%
WTC-CIF Special Equity Portfolio (nominee: Finwell & Co.)	524,205(10)	524,205(10)	0	0%
Highfields Capital III LP	3,883,770(11)	3,883,770(11)	0	0%
Highfields Capital II LP	1,078,820(12)	1,078,820(12)	0	0%
Highfields Capital I LP	431,525(13)	431,525(13)	0	0%
Cumberland Partners	1,944,234(14)	1,944,234(14)	0	0%
Cumberland Benchmarked Partners, L.P.	1,260,480(15)	1,260,480(15)	0	0%
Cumber International S.A.	554,325(16)	554,325(16)	0	0%
LongView Partners B, L.P.	437,220(17)	437,220(17)	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
<b>TOTAL SHARES BEING REGISTERED</b>		<b>112,544,149</b>		

\* 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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