Thorium Power, Ltd
Form 10KSB/A
September 11, 2007

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB/A

Amendment No. 1

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934:** For the fiscal year ended: December 31, 2006

o **TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934:** For the transition period from _____ to _____

Commission File Number: 000-28543

THORIUM POWER, LTD.
(Exact name of registrant as specified in its charter)

Nevada	**91-1975651**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

8300 Greensboro Drive, Suite 800
McLean, Virginia 22102
(Address of principal executive office and zip code)

703.918.4904
(Registrant’s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act: **Common Stock, par value $.001**

Check whether the issuer is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. o

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d)of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes xNo o

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yesx No o

State issuer's revenues for its most recent fiscal year: $0

The aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant as of March 2, 2007 was $57,097,275.

The number of shares of the registrant's common stock outstanding as of March 2, 2007: 297,221,116 shares.

Documents Incorporated by Reference: Part III (Items 9, 10, 11, 12 and 14) incorporates by reference portions of the Registrant’s Proxy Statement for its Annual Meeting of Stockholders, which will be filed not later than 120 days after December 31, 2006.

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EXPLANATORY NOTE

Thorium Power, Ltd. is filing this Amendment No. 1 on Form 10-KSB/A (the "Amendment") to its Annual Report on Form 10-KSB for the fiscal year ended December 31, 2006 (the "Original Filing"), originally filed with the Securities and Exchange Commission (the "SEC") on March 20, 2007, to revise the disclosure contained in Item 1 "Description of Business" and Item 7 "Financial Statements."

Under Item 1, we have made the following amendments:

- We have revised the section located on page 5 of the Original Filing under the section "Competition" to clarify that we do not intend to directly compete with the entities identified, which are the four primary entities that account for the fabrication of a majority of the world's nuclear fuel, in terms of fabrication of nuclear fuels. We plan to partner with one or more of these entities and license our nuclear fuel designs so that the entities may fabricate and sell our thorium-based nuclear fuel designs. At the same time, however, these same entities may be competitors if that they design and fabricate their own uranium-based nuclear fuel designs for use in the same reactors for which our thorium-based fuel designs would be used.

- We have revised the section located on page 6 of the Original Filing under the sub-section "Thorium/reactor-grade plutonium disposing fuel" to explain our basis for believing that the fabrication of thorium/reactor grade plutonium disposing fuel will be less expensive than MOX conventional uranium fuel.

- We have removed the third paragraph on page F-10 of the financial statements contained in the Original Filing. We have moved this discussion to the section "Sources and Availability of Raw Materials" on page 8 of this Amendment No. 1 to the Original Filing, and revised it to clearly explain the contracting process for obtaining materials for the fabrication of nuclear fuels.

Under Item 7, we have restated our December 31, 2006 and 2005 consolidated financial statements in their entirety in order to correct disclosures made so that they are in accordance with generally accepted accounted principles. The first item restated was to reclassify the cash flow impact of common stock issue costs, total $441,553 from operating activities to financing activities in the statement of cash flows. This change in the statement of cash flows had no impact on the total net cash flows reported for the periods presented. It was also found that the company needs to change its presentation of the capital stock transactions in the statement of stockholders deficiency from January 8, 1992 (inception) to December 31, 2006. This change was made to reflect the equivalent number of Thorium Power Ltd. shares for each capital transaction, calculated by using the ratio of Thorium Power Ltd shares that were issued in the reverse merger to Thorium Power Inc. stockholders, to the outstanding shares held by the Thorium Power Inc. stockholders at the merger date (10/6/06). This change had no impact on the total number of common shares reported as outstanding as of December 31, 2006 on the statement of stockholders deficiency as well as the balance sheet. A restatement was made to increase the weighted average shares outstanding at December 31, 2006 and 2005. The loss per share reported for the year ended December 31, 2006 decreased from $0.09 to $0.08 per share. Additional footnote disclosures in the financial statements were madeto clarify certain other disclosures. The cumulative financial numbers presented, required to be presented for all development stage companies, from inception (January 8, 1992) to December 31, 2006, reported on the statement of operations and statement of stockholders deficiency are now marked as unaudited, as it was not practicable for us to obtain permission from the prior auditor to reissue their audit report, which was for the periods up to December 31, 2001 and for the cumulative period January 8, 1992 to December 31, 2001.

Additionally, we have revised Exhibit 99.1, Thorium Power, Inc.'s interim financial statements for the nine month period ended September 30, 2006, to include an introductory section and footnotes, which were omitted from the Exhibit 99.1 submitted with the Original Filing.

Except as described above, no other changes have been made to the Original Filing. The Original Filing continues to speak as of the dates set forth in the Original Filing, and the disclosures in the Original Filing have not been updated to reflect any events which occurred at any time subsequent thereto.

Except as otherwise indicated by the context, references in this Amendment to “Thorium Power,” “Company,” “we,” “our,” and “us” refer to Thorium Power, Ltd. and its wholly-owned subsidiary Thorium Power, Inc. (“Thorium Power, Inc.”).

FORWARD-LOOKING STATEMENTS

This Amendment contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") concerning, without limitation: 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 report, 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 report 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.

PART I

Item 1. 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:

· Patent No. 6,026,136, a seed-blanket unit fuel assembly for a nuclear reactor

· Patent No. 5,949,837, a nuclear reactor having a core including a plurality of seed-blanket units

· 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

· 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:

· Russia - Patent No. 2,176,826

· Russia - Patent No. 2,222,837

· South Korea - Patent No. 301,339

· South Korea - Patent No. 336,214

· 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 December 31, 2006, we had 7 employees, 5 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.

Risk Factors

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.

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:

- quarterly variations in operating results;
- changes in financial estimates by securities analysts;
- changes in market valuations of other similar companies;
- 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;
- additions or departures of key personnel;
- 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;
- future sales of common stock; and
- 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.

PART II

Item 7. FINANCIAL STATEMENTS

The full text of our audited consolidated financial statements as of December 31, 2006 and 2005 begins on page F-1 of this Report.

PART III

Item 13. EXHIBITS.

The following exhibits are filed with this report, except those indicated as having previously been filed with the Securities and Exchange Commission and are incorporated by reference to another report, registration statement or form. As to any shareholder of record requesting a copy of this report, we will furnish any exhibit indicated in the list below as filed with this report upon payment to us of our expenses in furnishing the information.

Exhibit Number	*Description*
3.1	Articles of Incorporation (incorporated by reference from the Company's Registration Statement on Form 10-SB filed on December 17, 1999).
3.2	By-laws (incorporated by reference from the Company's Current Report on Form 8-K filed on September 18, 2006).
4.1	2005 Compensation Plan for Outside Consultants of Custom Brand Networks, Inc. dated March 1, 2005 (incorporated by reference from the Company's Registration Statement on Form S-8 filed on March 10, 2005).
4.2	2005 Augmented Compensation Plan for Outside Consultants of the Company dated August 15, 2005 (incorporated by reference from the Company's Registration Statement on Form S-8 filed on August 19, 2005).
4.3	2006 Stock Plan (incorporated by reference to Exhibit 10.1 of the current report of the Company on Form 8-K filed February 21, 2006)
10.1	Consulting Agreement dated October 15, 2004 between Custom Branded Networks, Inc. and Walter Doyle (incorporated by reference from the Company's Registration Statement on Form S-8 filed on October 19, 2004).
10.2	Consulting Agreement dated October 15, 2004 between Custom Branded Networks, Inc. and Adam Harrison (incorporated by reference from the Company's Registration Statement on Form S-8 filed on October 19, 2004).
10.3	Consulting Agreement dated October 15, 2004 between Custom Branded Networks, Inc. and Tim Lelek (incorporated by reference from the Company's Registration Statement on

	Form S-8 filed on October 19, 2004).
10.4	Consulting Agreement dated October 15, 2004 between Custom Branded Networks, Inc. and Bruce Fearn (incorporated by reference from the Company's Registration Statement on Form S-8 filed on October 19, 2004).
10.5	Compensation Agreement dated October 15, 2004 between Custom Branded Networks, Inc. and Paul G. Carter (incorporated by reference from the Company's Registration Statement on Form S-8 filed on October 19, 2004).
10.6	Consulting Agreement dated January 24, 2005 between Custom Branded Networks, Inc. and Walter Doyle (incorporated by reference from the Company's Registration Statement on Form S-8 filed on January 27, 2005).
10.7	Consulting Agreement dated January 24, 2005 between Custom Branded Networks, Inc. and Sanjeev Pamnani (incorporated by reference from the Company's Registration Statement on Form S-8 filed on January 27, 2005).
10.8	Consulting Agreement dated January 24, 2005 between Custom Branded Networks, Inc. and Seth Shaw (incorporated by reference from the Company's Registration Statement on Form S-8 filed on January 27, 2005).
10.9	Assignment of Specific Mineral Rights dated September 14, 2005 between American Graphite Holdings and the Company (incorporated by reference from the Company's Current Report on Form 8-K filed on October 11, 2005).
10.10	Amendment No. 1, dated March 5, 2006, to Assignment of Specific Mineral Rights between American Graphite Amendment No. 1, dated March 5, 2006, to Assignment of Specific Mineral Rights between American Graphite Holdings and the Company (incorporated by reference from Exhibit 10.10 of the initial filing of this Registration Statement on Form S-4 filed June 14, 2006).

10.11	Mining Acquisition Agreement dated September 30, 2005 between Walter Doyle and the Company (incorporated by reference from the Company's Current Report on Form 8-K filed on October 11, 2005).
10.12	Amendment No. 1, dated March 5, 2006, to Mining Acquisition Agreement between Walter Doyle and the Company (incorporated by reference from Exhibit 10.12 of the Company's Registration Statement on Form S-4 filed June 14, 2006).
10.13	Agreement and Plan of Merger dated as of February 14, 2006, between Novastar Resources Ltd., TP Acquisition Corp. and Thorium Power, Inc. (incorporated by reference from the Company's Current Report on Form 8-K filed on June 13, 2006).
10.14	Amendment No. 1, dated June 9, 2006, to Agreement and Plan of Merger between Novastar Resources Ltd., TP Acquisition Corp. and Thorium Power, Inc. (incorporated by reference to Exhibit 10.1 of the current report of the Company on Form 8-K filed June 13, 2006).
10.15	Employment Agreement, dated as of February 14, 2006, between the Company and Seth Grae (incorporated by reference to Exhibit 10.2 of the current report of the Company on Form 8-K filed February 21, 2006)
10.16	Stock Option Agreement, dated as of February 14, 2006, between the Company and Seth Grae (incorporated by reference to Exhibit 10.3 of the current report of the Company on Form 8-K filed February 21, 2006)
10.17	Subscription Agreement, dated as of February 14, 2006, between the Company and Thorium Power (incorporated by reference to Exhibit 10.4 of the current report of the Company on Form 8-K filed February 21, 2006)
10.18	Amended and Restated Consulting Agreement, dated February 6, 2006, between the Company and Alan Gelband (incorporated by reference to Exhibit 10.5 of the current report of the Company on Form 8-K filed February 21, 2006)
10.19	Form of Subscription Agreement between the Company and the investors in the private placement closed on February 14, 2006 (incorporated by reference to Exhibit 10.6 of the current report of the Company on Form 8-K filed February 21, 2006)
10.20	Assignment of Minerals Lease, dated December 31, 2005, between CM Properties and the Company (incorporated by reference to Exhibit 10.1 of the current report of the Company on Form 8-K filed January 10, 2006)
10.21	Amendment No. 1 to Assignment of Minerals Lease, dated March 5, 2006 between CM Properties and the Company (incorporated by reference from Exhibit 10.21 of the initial filing of this Registration Statement on Form S-4 filed June 14, 2006).
10.22	Office Service Renewal Agreement, dated September 21, 2005, between Tysons Business Center, LLC and Thorium Power (incorporated by reference from Exhibit 10.22 of the initial filing of this Registration Statement on Form S-4 filed June 14, 2006).
10.23	Sublease Agreement, dated May 28, 2004, between Thorium Power and Carmen & Muss, P.L.L.C. (incorporated by reference from Exhibit 10.23 of the initial filing of this Registration Statement on Form S-4 filed June 14, 2006).
10.24	Office Building Lease, dated August 14, 2001, between Washington Real Estate Investment Trust and Thorium Power (incorporated by reference from Exhibit 10.24 of the initial filing of this Registration Statement on Form S-4 filed June 14, 2006).
10.25	Teaming Agreement dated February 22, 2006 between The University of Texas System, The University of Texas of the Permian Basin, The University of Texas at Austin, The University of Texas at Arlington, The University of Texas at Dallas, The University of Texas at El Paso, The City of Andrews, Texas, Andrews County, Texas, the Midland Development Corporation, the Odessa Development Corporation, Thorium Power and General Atomics (incorporated by reference from Exhibit 10. the Company's Registration Statement on Form S-4 filed June 14, 2006).

10.26	Amendment No. 1 to Amended and Restated Consulting Agreement, dated June 12, 2006, among the Company, Alan Gelband and Alan Gelband Company, Inc. (incorporated by reference to Exhibit 10.1 of the current report of the Company on Form 8-K filed June 13, 2006).
10.27	Employment Agreement, dated June 6, 2006, between the Company and Cornelius J. Milmoe (incorporated by reference to Exhibit 10.1 of the current report of the Company on Form 8-K filed June 13, 2006).
10.28	Stock Option Agreement, dated June 6, 2006, between the Company and Cornelius J. Milmoe (incorporated by reference to Exhibit 10.1 of the current report of the Company on Form 8-K filed June 13, 2006).
10.29	Consulting Agreement, dated June 12, 2006, between the Company and Larry Goldman (incorporated by reference to Exhibit 10.1 of the current report of the Company on Form 8-K filed June 13, 2006).
10.30	Stock Option Agreement, dated June 12, 2006, between the Company and Larry Goldman (incorporated by reference to Exhibit 10.1 of the current report of the Company on Form 8-K filed June 13, 2006).
10.31	Office Service Agreement, dated April 19, 2006, between Tysons Business Center LLC and the Company (incorporated by reference from Exhibit 10.31 the Company's Registration Statement on Form S-4 filed June 14, 2006).
10.32	Employment Agreement, dated July 27, 2006, between the Company and Andrey Mushakov (incorporated by reference to Exhibit 10.1 of the current report of the Company on Form 8-K filed August 4, 2006).
10.33	Stock Option Agreement, dated July 27, 2006, between the Company and Andrey Mushakov (incorporated by reference to Exhibit 10.2 of the current report of the Company on Form 8-K filed August 4, 2006).

10.34	Employment Agreement, dated July 27, 2006, between the Company and Thomas Graham, Jr. (incorporated by reference to Exhibit 10.3 of the current report of the Company on Form 8-K filed August 4, 2006).
10.35	Stock Option Agreement, dated July 27, 2006, between the Company and Thomas Graham, Jr. (incorporated by reference to Exhibit 10.4 of the current report of the Company on Form 8-K filed August 4, 2006).
10.36	Amendment No. 2, dated August 8, 2006, to Agreement and Plan of Merger between Novastar Resources Ltd., TP Acquisition Corp. and Thorium Power, Inc. (incorporated by reference to Exhibit 10.1 of the current report of Novastar on Form 8-K filed August 9, 2006).
10.37	Independent Director Contract, dated August 21, 2006, between the Company and Victor Alessi (incorporated by reference to Exhibit 10.1 of the current report of the Company on Form 8-K filed August 25, 2006).
10.38	Stock Option Agreement, dated August 21, 2006, between the Company and Victor Alessi (incorporated by reference to Exhibit 10.2 of the current report of the Company on Form 8-K filed August 25, 2006).
14.1	Code of Ethics (incorporated by reference from the Company's Annual Report on Form 10-KSB filed on November 25, 2005).
16.1	Letter from Morgan and Company dated September 14, 2005 regarding change in independent accountant (incorporated by reference from the Company's Current Report on Form 8-K filed on October 11, 2005).
31.1*	Rule 13a-14(a)/15d-14(a) Certification - Principal Executive Officer
31.2*	Rule 13a-14(a)/15d-14(a) Certification - Principal Accounting Officer
32*	Section 1350 Certifications
99.1*	Thorium Power, Inc. interim financial statements for the nine month period ended September 30, 2006.
99.2	Report of Pricewaterhouse Coopers dated March 29, 2002.

* Filed herewith

AUDITED FINANCIAL STATEMENTS

THORIUM POWER, LTD
(A Development Stage Company)
DECEMBER 31, 2006
(Restated)

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Balance – December 31, 1995 (unaudited)					
Issuance of common stock for cash	950,208	1,515	301,485	-	303,000
Issuance of common stock for services	250,880	400	7,600	-	8,000
Exercise of stock options and warrants	1,066,240	1,700	32,300	-	34,000
Issuance of options to non-employees for services	-	-	7,950	-	7,950
Net (loss) for the year ended December 31, 1996	-	-	-	(763,179)	(763,179)
Balance – December 31, 1996 (unaudited)	52,788,288	$ 84,165	$ 1,719,290	$ (2,632,648)	$ (829,193)

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

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

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

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

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

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

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

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

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

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

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

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

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

INTRODUCTORY NOTE

RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

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

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

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

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

Radkowsky Thorium Power Corp., incorporated in the state of Delaware on January 8, 1992 (“Inception”), changed its name to Thorium Power, Inc. in Apri1 2001. Thorium Power, Inc. is engaged in the development, promotion and marketing of its three patented nuclear fuel designs: (1) Thorium/uranium nuclear fuel, (2) Thorium/reactor-grade plutonium disposing fuel, and (3) Thorium/weapons-grade plutonium disposing fuel. These fuels are designed to be used in existing light water reactors. Presently, we are focusing most of our efforts on demonstrating and testing our nuclear fuel technology for the Russian designed VVER-1000 reactors.

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

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

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

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

Merger Agreement

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

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

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

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

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

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

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

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

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

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

Total assets - consisting of cash of $12,742,408, prepaid and other receivables, $117,384	$ 12,859,792

Temporary Equity Transfer	(12,041,373)
Total Liabilities-consisting of warrant liabilities of $3,080,024 and other payables	$ (4,116,830)
Book Value of Thorium Power, Ltd. - transferred to stockholders equity	$ (3,298,411)

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Consolidation

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

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

b) Use of Estimates

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

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

c) Prior Year Reclassifications

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

d) Cash and Cash Equivalents

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

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

Concentration of Credit Risk

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

Investment Securities

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

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

performance of the investee.

e) Property and Equipment

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

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f) Income Taxes

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

g) Stock-Based Compensation

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

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

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

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

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

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

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h) Warrants

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

i) Basic and Diluted Loss per Share

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

j) Impairment Charges

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

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

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

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k) Comprehensive Income

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

l) Development Stage Enterprise

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

m) Revenue Recognition

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

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

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

n) Government Grants

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

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

o) Segment Reporting

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

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

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p) Commitments and Contingencies

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

q) Recently Issued Accounting Standards

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

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

Staff Accounting Bulletin ("SAB") No. 108

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

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

r) Intangible Assets - Patents

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

years.

s) Retirement 401K Plan

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

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

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

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4. Research and Development Costs

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

5. Property Plant and Equipment

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

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

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

6. Intangible Assets - Patents

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

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

	2006	2005
Patents	$ 411,669	$ 405,005
Accumulated Amortization	193,794	193,794
Net Book Value	$ 217,875	$ 211,211

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

7. Stockholders' Equity

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

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a). Common Stock Issuances

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

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

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

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

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

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

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

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

b). Common Stock Buyback Program - Treasury Stock

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

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

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

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

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

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

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

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

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

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

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

d) Share-based Compensation

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

i). No more than 37,500,000 options can be granted for the purchase of restricted common shares.

ii). No more than 8,000,000 options can be granted to any one person.

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

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

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

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

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

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

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

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

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

i). A total of 2,150,000 non-qualified 10 year options have been issued by Thorium Power, Ltd., to advisory board members at exercise prices of $0.51 to $0.64 per share.

ii). A total of 5,500,000 non-qualified 5 year options have been issued to advisory board members at an exercise price of $0.445 per share and a weighted average of $0.445; and

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

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

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

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

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

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

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

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

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e). Warrants

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

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

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

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

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

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

f). Common Stock and Warrants reserved for Future Issuance

Common stock and warrants reserved for future issuance consists of:

	Shares of	**Stock**

	Common Stock	Purchase Warrants		Amount
Stock-based Compensation	4,000,000	0	$	1,200,000

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

8. Income Taxes

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

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

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

9. Research Agreement

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

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

10. Commitments and Contingencies

Firm Price Commitments

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

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

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Lease Commitments

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

		Dollars
Year ending December 31, 2007	$	70,000
Year ending December 31, 2008	$	35,000

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

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

SIGNATURES

In accordance with section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant caused this Report on Form 10-KSB/A to be signed on its behalf by the undersigned, thereto duly authorized individual.

Date: September 11, 2007

THORIUM POWER, LTD.

/s/ Seth Grae

By: Seth Grae
Chief Executive Officer,
President and Director

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE
/s/ Seth Grae Seth Grae	Chief Executive Officer, President and Director (Principal Executive Officer)
/s/ Larry Goldman Larry Goldman	Acting Chief Financial Officer and Treasurer (Principal Financial Officer)
/s/ Thomas Graham, Jr. Thomas Graham, Jr.	Director
/s/ Victor Alessi Victor Alessi	Director
/s/ Jack Ladd Jack Ladd	Director
/s/ Dan Magraw Dan Magraw	Director