

Thorium Power, Ltd. News Update
December 31, 2007
Letter from the CEO

Dear Stockholders:

We are pleased to share this end-of-year news update, which includes company news as well as industry-related developments.

Latest Company News and 2007 Recap

We secured a number of key agreements throughout this year and we are pleased to end 2007 with yet another important milestone. Our new formal agreement with the Kurchatov Institute in Russia relates to the irradiation testing program for our fuel designs, which has been ongoing since 2002. The agreement assigns to Thorium Power Inc., a wholly owned subsidiary of Thorium Power Ltd., the worldwide rights, title and interest in and to the technical data generated from the ampoule irradiation testing of seed and blanket fuel samples in a research reactor at the Kurchatov Institute over the past two years. We are excited to close out 2007 with this latest agreement and we would also like to take the opportunity to reflect upon some of the major milestones that we secured throughout the year:

- Consulting and Strategic Advisory Services Agreement
- Keynote Address at IAEA International Conference on Thorium Fuels
- Appointment of James D. Guerra as Chief Financial Officer
- Appointment of Thomas Graham, Jr. as Executive Chairman of Board of Directors
- Appointment of Erik Hällström as Chief Operating Officer
- Formation of Strategic Alliance with Red Star Bureau
- Successful Completion of Thermal-Hydraulic experiments at the Kurchatov Institute
- Appointment of Nancy Lampton to International Advisory Board

On the media front, we were enthused by the recent coverage in *Fortune*, the leading business weekly. Titled "Thorium Gets Ready for Its 15 Minutes," the piece excitedly comments on Thorium Power's advantageous position as the leading provider of thorium fuel. Elsewhere, Merryn Somerset Webb of *The Sunday Times* (UK) once again recommended Thorium Power in her influential "Merryn on Money" column, noting that the stock has risen 16 percent. Somerset Webb opined on the rising price of Oil before focusing on Alternative Energy stocks and concluding that Nuclear Energy is "the only alternative at the moment."

Industry Developments

Nuclear Energy continues to generate support from numerous sources: *World Nuclear News* announced that a Nuclear Power Institute would be established at Texas A&M University to ensure that the state has sufficient qualified workers for its growing nuclear industry. Meanwhile, Sir Bob Geldof echoed the growing support for Nuclear Energy in the international community by calling for the wider use of nuclear power. Finally, the US-India nuclear deal remains firmly back on the track with *Nuclear Engineering International* reporting that the agreement has received a "new lease of life" after recent developments in India's legislature. The *Times of India* also reported on the increasingly productive meetings between between Rajya Sabha, India's Parliament, and Pranab Mukherjee, the Minister of External Affairs. Once again, these latest developments support our unique positioning as a source of solutions to address the major industry concerns – how to solve proliferation, reduce waste and improve profitability.

Very Truly Yours,
Seth Grae
Chief Executive Officer

Thorium Power in the news

Fortune – Thorium Gets Ready for Its 15 Minutes (12.10.2007) – The magazine excitedly comments on Thorium Power's advantageous position as the leading provider of thorium fuel and sole patent holder.

The Sunday Times (UK) - Merryn on Money: Winning with Africa (12.23.07) – Merryn Somerset Webb, the Sunday Times influential columnist, comments on rising oil prices and reiterates her strong recommendation of alternative/nuclear energy stocks, including Thorium Power.

General nuclear news

World Nuclear News – Swords into plowshares ahead of schedule (12.29.2007) – Reporting that the US authorities have reached their 2012 targets for dismantling nuclear weapons, and the country's facility to turn weapons fuel into power reactor fuel is 25% complete, the trade journal also notes that the construction of the mixed-oxide nuclear fuel (MOX) facility at Savannah River was going on at a "brisk pace" with construction "25% complete."

World Nuclear News – Texas establishes Nuclear Power Institute (12.17.2007) – The trade journal reports on an announcement by Texas A&M University that a Nuclear Power Institute (NPI) will be established at the university to ensure the state has sufficient qualified workers for its growing nuclear power industry. The article notes the NPI plan calls for Plans call for the Nuclear Power Institute to manage a state-wide effort to provide more than 2000 engineers and technicians needed to staff and operate at least six new nuclear power plants in Texas scheduled to go into operation over the next ten years.

Nuclear Engineering International – Lifeline for US-India Deal (12.23.2007) – The trade journal reports that the India-US civil nuclear agreement has received a "new lease of life" after the Congress Party-led Indian minority government's communist allies relented partially during a crucial coordination committee meeting on November 17. This journal notes that the move has allowed the United Progressive Alliance (UPA) government to start the negotiations with the International Atomic Energy Agency (IAEA) on India-specific safeguards mentioned in the agreement.

World Nuclear News – Sir Bob: 'Go nuclear, big-time' (12.13.2007) – The journal reports on comments by Bob Geldof calling for wider use of nuclear energy. The "veteran campaigner" used a hybrid energy blog to call for nuclear power in the UK.

World Nuclear News – South Korea joins GNEP (12.11.2007) – The trade journal covers the announcement by Kim Young-sik, head of the ministry's atomic energy bureau, of South Korea becoming the 19th member of the Global Nuclear Energy Partnership (GNEP) after the Ministry of Science and Industry signed the Statement of Principles on 10 December. The article notes the only major nuclear nations remaining outside of the GNEP project are now the UK and India.

World Nuclear News – ElBaradei: "modest" Brazil could be more ambitious (12.07.2007) – The journal reports on comments made by Mohamed ElBaradei, director general of the International Atomic Energy Agency (IAEA) who asserted that Brazil's nuclear energy program could be more ambitious. The piece notes that Brazil plans to add a third nuclear unit to its two operating plants at Angra and build a further eight small units

Times of India – Nuke deal would enhance country's energy's security (12.06.2007) – The paper reports that in an exchange between Rajya Sabha, India's Parliament, and Pranab Mukherjee, Minister of External Affairs the parties agreed that the civil nuclear agreement between India and the US "would help create a substantial additional power generating capacity in the country, was informed on Thursday."

World Nuclear News – Putin ratifies law on formation of Rosatom (12.03.2007) – The journal reports that Russian president Vladimir Putin ratified the law concerning the formation of Rosatom

on December 3. The report also notes the new Rosatom company would assume many of the roles currently taken by the existing Rosatom agency, overseeing the commercially-focused nuclear power industry as well as Russia's extensive military complexes.

Thorium Gets Ready For Its 15 Minutes

By Telis Demos

Fortune

Precious Metal

December 10, 2007

Your high school chemistry teacher probably didn't say much about thorium, but the low-profile element (symbol: Th) could be ready to make the move from also-ran on the periodic table to critical building block of our energy future. The naturally occurring, slightly radioactive metal is similar to uranium in that it can be used to make nuclear energy, but it's three times as abundant, easier to mine, and leaves behind no weapons-grade leftovers (and only a fraction of the waste). Its backers include India, which has tons of the stuff and wants a nuclear energy program, and U.S. Senators from Utah and Nevada, current dumping grounds for U.S. nuclear waste. (Utah's Orrin Hatch proposed a thorium research bill last month.) So far the only working reactor is a test plant in Russia, but Thorium Power Ltd. of McLean, Va., owns the patent on the process and hopes to sell the idea to U.S. regulators. Could a thorium futures exchange be far away?

Merryn on Money: Winning with Africa

By Merryn Somerset Webb

The Sunday Times

December 23, 2007

THIS is a tricky time of year for anyone who writes about money - the time to flick through the year's columns and admit what went wrong and why. But let's start with what went right.

In big-picture terms, I haven't had a bad year at all. I started out reiterating all my usual themes. I worried about the strength of the economy as a whole and in particular (as ever) about the residential and commercial property sectors. It's taken much longer than I thought, but both are now in trouble: commercial property funds are in a state of semi-collapse and house prices appear to be falling across the country.

There was, I said, given the level of demand, no way that oil could stick at its then level of about \$40 a barrel. It did not. Today a barrel will cost you \$91. I suspected that would mean alternative-energy stocks would keep rising, especially those related to nuclear energy (the only alternative at the moment). I suggested buying a few obscure stocks: UK-listed Uramin, UrAsia, and International Nuclear Solutions, as well as Thorium Power of America. The first two were quickly taken over at premiums to their January prices and the others are currently up 19% and 16% respectively. So that's nice.

I stuck with the commodity theme in February, suggesting Shell (up 12% since) and BHP Billiton (up 59%), and then moving the argument out to suggest high commodity prices and Chinese investment would mean that Africa might end up being a good home for your money. At the time there weren't many ways into Africa so I suggested buying shares in Lonrho, which after years in the doldrums was starting to reestablish itself as a pan-African investment company. I'm really pleased with this one, particularly as I have Lonrho in my SIPP: the shares have risen 83% since I mentioned them. I'm keeping them.

March found me still on the commodities bandwagon. I kept being told by fund managers that it was impossible for me to stick with a position that was bearish on the American economy (the housing crash was making me nervous) yet bullish on the commodity markets. I wasn't convinced. "Sure," I said, "Chinese growth was kicked off by the gobbling greed of the US consumer for cheap jeans and flat-pack furniture, but it isn't really about that any more. Instead, it's about the rush to build infrastructure all over the emerging world."

With that in mind I suggested everyone buy more BHP and more Rio Tinto (up 79% since). Next I found myself, after a conversation with a green investor, interested in electric vans. This led to a tip for shares in Tanfield Group, which produces a unique range of environmentally friendly vehicles. I never got around to buying the shares for my own portfolio, but I wish I had; they are up 139%. I'd sell these if I had them (100% plus is quite enough to make on one bet).

April had me begging readers not to even think about buying houses anywhere, particularly not in Florida and Spain, where prices were falling and the bulls were swearing there were bargains to be had. There were not, and prices are still falling. Instead, I suggested you put your money into precious metals via exchange-traded funds. This hasn't been a spectacular bet but it has been a solid one in volatile times: the London-listed ETF that tracks a basket of precious metals (PHPM) is up 11% and the one tracking gold (PHAU) is up 16%. I also returned to soft commodities while I was on the subject of ETFs and suggested AIGG, which tracks a basket of grain prices. Wheat, corn and soy prices had already moved up a good amount but they have kept going: AIGG is up 55%.

The rest of the year saw me getting increasingly pessimistic – reiterating advice to get out of buy-

to-let, to buy precious metals and grains and very often just to hold cash. It all sounds pretty good, doesn't it? So let's have a look at my disasters.

Most involved small-company shares, though I don't think this necessarily reflects flaws in their businesses. Nervous investors have sold out of anything remotely risky and small companies fall under that heading.

So, Polymer Logistics, which produces "retail-ready packaging" not just for transporting and storing goods but also for display (thus cutting waste), has fallen 36%, while my fishing-related stocks, Aker Biomarine and Copeinca, are down 55% and 47% respectively.

Speymill Property, which invests in the new gambling mecca of Macau, is down just over 13%. More embarrassing is the fact that, despite saying I wouldn't touch most banks in January, I thought HSBC looked too cheap and tipped it as a buy. The shares are down 9%.

My most notable disaster is Japan. I suggested buying the market in January, in May and again in October on the basis that not only is it cheap but the yen should rise too, giving a double whammy of both equity and currency gains. Oh dear. The yen has strengthened a bit but the benchmark index, the Nikkei 225, is down 9% and the index of smaller companies - which I have been keen on - down 15%. I should probably give up but I am not selling. There is value there; perhaps 2008 will be the year someone else notices.

Merryn Somerset Webb is a former stockbroker and now editor of Money Week. Her views are personal and investors should always seek professional advice.

Swords into plowshares ahead of schedule
World Nuclear News
December 19, 2007

The US Department of Energy's National Nuclear Security Administration (NNSA) is overseeing the effort. It announced last week that the construction of the mixed-oxide nuclear fuel (MOX) facility at Savannah River was going on at a "brisk pace" with construction "25% complete".

"The design is 90% complete and preconstruction activity was completed under budget and ahead of schedule," according to the NNSA. The construction work is being carried out by contractors Shaw Areva MOX Services.

By 2016 the plant should begin combining plutonium oxide taken from weapons stockpiles with uranium oxide to make MOX fuel suitable for power generation in mainstream reactors. The fuel will then be used to generate electricity at Duke Energy's McGuire and Catawba nuclear power plants in North and South Carolina.

In addition, NNSA said it has been decided that the Savannah River plant will also use the plutonium to make 'starter fuel for advanced fast reactors'.

Similar cuts to plutonium stockpiles are also going on in Russia, but authorities there have planned to use the recovered plutonium in BN-600 and BN-800 fast breeder reactors at Beloyarsk from around 2012. The two nations agreed in 2000 to each dispose of 34 tonnes of 'surplus' plutonium. The USA recently added another 9 tonnes to that. NNSA said the total was enough plutonium for 17,000 nuclear weapons.

NNSA's work with plutonium stockpiles is part of an overall initiative to streamline American nuclear forces. While announcing a draft plan for the continuation of that work, NNSA director Tom D'Agostino said the US nuclear weapons stockpile will be reduced by nearly 50% from the 2001 level, making it the smallest stockpile since the 1950s.

President Bush's 2012 targets for reduction in the numbers of weapons have been achieved five years early, in 2007. And NNSA now thinks it will dismantle 15% more than the target by 2012.

Detecting materials trafficking

Under NNSA's Secure Freight Initiative, the US body has provided Singapore with with radiation detection equipment to scan US-bound cargo and help prevent illicit trafficking of nuclear and radiological material. Similar operations on a pilot scale are also going on at Hong Kong, and at ports in South Korea and Oman.

NNSA has also recently upgraded monitors and provided training at Limassol in Cyprus to detect smuggling of nuclear materials. That work was carried out under NNSA's Second Line of Defense program.

Texas establishes Nuclear Power Institute
World Nuclear News
December 17, 2007

Establishment of the institute - a cooperative effort of Texas A&M's Dwight Look College of Engineering, the Texas Engineering Experiment Station (TEES), and other organizations around the state - was approved on 6 December by the governing board of Texas A&M University System.

In particular, NPI activities will support state-wide recruiting efforts for nuclear power-related programs. The partnership includes Texas A&M University, Texas A&M University-Kingsville, Texas A&M University-Corpus Christi and Prairie View A&M University, as well as several community colleges, the Texas State Technical College, the Texas Workforce Commission, civic leaders and high schools.

Plans call for the Nuclear Power Institute to manage a state-wide effort to provide more than 2000 engineers and technicians needed to staff and operate at least six new nuclear power plants in Texas scheduled to go into operation over the next ten years. The staff needed to operate the additional reactors and generating plants will include technicians with two-year technical degrees, nuclear engineers and engineers in other engineering specialties.

"The Texas A&M University System is uniquely configured with the ideal combination of education, research and service agencies and universities to lead this effort," said Dr. Kemble Bennett, vice chancellor and dean of engineering. "The institute will make a significant impact upon the workforce and economy of the state and nation."

The NPI will oversee expansion of curricula in high schools, junior colleges and four-year institutions to prepare graduates to enter nuclear power-related fields. The institute also will develop recruiting programs aimed at attracting students into fields that would prepare them to enter the nuclear power industry.

South Texas Project Nuclear Operating Co (STPNOC), Luminant (formerly TXU) and Exelon Corp have announced plans to construct six new nuclear power plants in Texas over the next decade.

"The Texas Engineering Experiment Station is the right organization to bring together academic education and training and the nuclear power industry," said Lee Peddicord, a professor of nuclear engineering at Texas A&M and director of TEES. He added, "The next years will be an exciting time for nuclear power in Texas. We're glad to be part of it."

Lifeline for US-India Deal
Nuclear Engineering International
December 13, 2007

The India-USA nuclear power technology transfer agreement has received a new lease of life after the Congress Party-led Indian minority government's communist allies (on whom they rely for votes) relented partially during a crucial coordination committee meeting on 17 November. This has allowed the United Progressive Alliance (UPA) government to start the negotiations with the International Atomic Energy Agency (IAEA) on India-specific safeguards mentioned in the agreement.

However, the deal is not yet out of the woods: "Friday's meeting between the UPA and its recalcitrant Left allies has only postponed the inevitable confrontation by a few weeks and not eliminated it," wrote the Indian Express newspaper in an editorial.

Communist MPs and their leftist allies are stressing that they are still opposed to the so-called 123 Agreement with the USA (and the Hyde Act governing its ratification in the USA) as it stands and that the Indian government must secure communist approval before finalising the draft of a safeguard agreement with the IAEA.

The left parties allege that the agreement with the USA undermines India's independent foreign policy. At the coordination committee meeting, they demanded assurances for India's right to build strategic reserves to ensure lifetime supplies of nuclear fuel, and the right to take corrective action in case there is termination of cooperation by other nations.

For the time being however, words have been overtaken by action. A technical group consisting of officials from India's Directorate of Atomic Energy and Ministry of External Affairs is waiting for an appointment with IAEA to proceed to Vienna for the negotiations, which according to Indian newspapers should happen within the next few days.

Once the agreement is finalised, the IAEA-associated Nuclear Suppliers Group (NSG) is expected to discuss the change in its guidelines for allowing its members to freely sell nuclear fuel and technology to India. If the Vienna talks are completed in the next three weeks, the Times of India reported, the 45-member NSG meeting could be called as early as December. The schedule is tight and time is a crucial factor: March 2008 is said to be the outer limit for US Congress to endorse the deal under the Bush administration, according to India's National Security Advisor M K Narayanan.

Sir Bob: 'Go nuclear, big-time'
World Nuclear News
December 13, 2007

In an entry entitled *Could hybrids help reduce our thirst for oil?*, Geldof wrote that enhancing fuel efficiency in transport would alter global politics for the better, "but the reality is that we need to do much more than change the type of car we drive to make an impact on climate change."

Referring to the likely "scramble" to build new nuclear plants in the UK to meet an energy gap that emerges around 2018, Geldof wrote: "On this issue, I don't care what anyone says: we're going to go with it, big-time."

He dismissed wind and wave power as "Mickey Mouse", saying that the country might "mess around" with them, "But to really help the planet, we have to go nuclear, fast."

The musician was born in Ireland and became world-famous in 1984 during his campaign for famine victims in Ethiopia, which climaxed with the Live Aid concert. He has since championed many causes and in 2005 was voted the Nobel Man of Peace by all living Nobel Peace Prize recipients. He began writing on the blog, which is sponsored by luxury carmaker Lexus, this week.

South Korea joins GNEP
World Nuclear News
December 11, 2007

South Korea became the 19th member of the Global Nuclear Energy Partnership (GNEP) after the Ministry of Science and Industry signed the Statement of Principles on 10 December.

Kim Young-sik, head of the ministry's atomic energy bureau, said: "By joining GNEP, South Korea can maximize its interest in critical decision making processes related to atomic energy issues, and can use its membership to bolster exports to countries interested in nuclear power generation."

The USA, China, France, Japan and Russia became members at the first ministerial meeting in May 2007. At the second GNEP ministerial meeting in Vienna in September, Australia, Bulgaria, Ghana, Hungary, Jordan, Kazakhstan, Lithuania, Poland, Romania, Slovenia and Ukraine agreed to join, taking membership to 16 countries. In November, both Italy and Canada announced they would sign the GNEP statement of principles.

The only major nuclear nations remaining outside of the GNEP project are now the UK and India. The UK has so far participated in GNEP meetings as an observer, but is expected to make a decision on joining when government policy matures. Whether India can participate in the initiative prior to the completion of the pending US-India nuclear trade deal, which would put most of the country's nuclear power reactors under IAEA safeguards, is not clear.

The GNEP initiative was launched by US President George Bush in January 2006. Under GNEP, so-called 'fuel-cycle' nations would provide assured supplies of nuclear fuel to client nations, which would generate electricity before returning the used fuel. It would then undergo advanced reprocessing so that uranium and plutonium it contained could be recycled in advanced nuclear power reactors. Waste volumes would be greatly reduced by this process, and nuclear materials would never be outside the strictest controls, overseen by the International Atomic Energy Agency (IAEA).

In November, prior to South Korea agreeing to join, it was announced that GNEP studies into the cores of very high-temperature reactors and 'advanced burner reactors' are to be carried out by the Korea Atomic Energy Research Institute (Kaeri) under a deal with General Atomics (GA). GA is leading one of the four consortia selected by the US Department of Energy (DoE) to develop technology required to implement GNEP. GA's deal with Kaeri is worth \$105,000, which comes from the \$1.6 million the DoE awarded to GA's consortium in October. The work builds on earlier cooperation between Kaeri and GA, based around its very high-temperature helium-cooled GT-MHR reactor design.

EIBaradei: "modest" Brazil could be more ambitious
World Nuclear News
December 7, 2007

Speaking after seeing Brazil's domestically developed uranium enrichment plant in action during an official visit to Latin America, EIBaradei described Brazilian aims to increase nuclear share from 2% to 5.7% by 2030 as "modest." The country plans to add a third nuclear unit to its two operating plants at Angra and build a further eight small units.

Praising Brazilian cooperation with the IAEA, he noted that he had no worries about Brazilian construction plans. "What is important is to have guarantees that nuclear power will be used within high security levels and exclusively for peaceful purposes. Our inspectors are here all the time," he said. The first stage of the Brazilian enrichment plant began operating in 2006 and when complete is expected to produce about 60% of the enriched uranium for Brazil's two operating nuclear units.

EIBaradei's visit to Brazil came as part of an official visit to several Latin American countries, where he has been emphasizing links between security and social and economic development as well as the IAEA's role in ensuring that nuclear is used for peaceful purposes. In Chile, he was presented with the Grand Cross of the Order of Merit of Chile for his contribution to peace and international security. Earlier this year, Chile announced that it would carry out a feasibility study into the use of nuclear power, and more recently the country's energy ministry has been tasked with preparing new studies on Chile's nuclear energy options for the next administration.

Nuke deal would enhance country's energy's security
Times of India
December 6, 2007

NEW DELHI: The civil nuclear agreement between India and the US would help create a substantial additional power generating capacity in the country, Rajya Sabha was informed on Thursday.

In a written reply, Minister of External Affairs, Pranab Mukherjee said the Integrated Energy Policy-2006, which sets a target of 20,000 MW of nuclear power generation by 2020, could double with international cooperation.

Regarding the financial gains the country would have from the nuclear accord, the Minister said that energy from this non-conventional source will contribute in the growth of vital sectors, including industry and agriculture.

"It is critical that India's current GDP growth rate of 8 to 10 percent per annum is maintained in order to achieve the objective of eradication of poverty.

"For this, it is necessary to explore and exploit all sources of energy, and the inclusion of nuclear energy will help in meeting India's energy targets and contribute to growth in vital sectors, including industry and agriculture," he said.

To another question, Mukherjee said an energy security unit has been established under the MEA to enhance the country's energy security by promoting cooperation with other countries.

Putin ratifies law on formation of Rosatom
World Nuclear News
December 3, 2007

Russian president Vladimir Putin ratified the law concerning the formation of Rosatom on 3 December. He also ratified amendments to other laws in connection with the adoption of the law on the creation of Rosatom.

The law was adopted by the Duma, the lower house of the Russian parliament, on 13 November and then by the Federal Council, the upper house, on 23 November.

The legislation - entitled "Regarding the State Corporation for Atomic Energy Rosatom" - will create a high-level state corporation named Rosatom (the same name as the existing Federal Atomic Energy Agency), which has been handicapped by its relatively low status in the political system. The law on Rosatom is aimed at optimizing the work of the nuclear industry and consolidating its resources and financing it from the federal budget.

The new Rosatom company would assume many of the roles currently taken by the existing Rosatom agency, overseeing the commercially-focused nuclear power industry as well as Russia's extensive military complexes. As a company, the new Rosatom will hold shares in AtomEnergProm and the state enterprises currently owned by the Rosatom agency, enabling much greater coordination of planning and funding. It would also control some scientific organizations and nuclear safety and radiation authorities.

The Rosatom company will be governed by a supervisory board consisting of eight presidential and governmental representatives, as well as a director general who is to be appointed by the Russian president. The company's board of directors will be appointed by the supervisory board according to the director general's proposals.