

LIGHTBRIDGE Corp  
Form 10-Q  
May 09, 2018

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended: **March 31, 2018**

**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: **001-34487**

**LIGHTBRIDGE CORPORATION**

(Exact name of registrant as specified in its charter)

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

**91-1975651**  
*(I.R.S. Empl. Ident. No.)*

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**11710 Plaza America Drive, Suite 2000**

**Reston, VA 20190**

*(Address of principal executive offices, Zip Code)*

**(571) 730-1200**

*(Registrant's telephone number, including area code)*

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*(Former Name, Former Address and Former Fiscal Year if Changed Since Last Report)*

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

|   |    |                           |    |
|---|----|---------------------------|----|
| Large Accelerated Filer                       | .. | Accelerated Filer         | .. |
| Non-Accelerated Filer                         | .. | Smaller reporting company | x  |
| (Do not check if a smaller reporting company) |    | Emerging growth company   | .. |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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

The number of shares outstanding of the issuer's common stock, as of May 1, 2018 is as follows:

| <b>Class of Securities</b>      | <b>Shares Outstanding</b> |
|---------------------------------|---------------------------|
| Common Stock, \$0.001 par value | 25,151,127                |

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**MARCH 31, 2018**

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**Lightbridge Corporation**  
**Condensed Consolidated Balance Sheets**

|  | <b>March 31,<br/>2018<br/>(Unaudited)</b> | <b>December 31,<br/>2017</b> |
|--|---|------------------------------|
| <b>ASSETS</b>  |   |                              |
| <b>Current Assets</b>  |   |                              |
| Cash and cash equivalents  | \$ 21,973,862                             | \$ 4,515,398                 |
| Accounts receivable - project revenue and reimbursable project costs | -   | 10,400                       |
| Other receivable from joint venture                                  | 488,685                                   | -                            |
| Prepaid expenses and other current assets                            | 146,612                                   | 70,067                       |
| Deferred financing costs, net  | -   | 491,168                      |
| <b>Total Current Assets</b>  | <b>22,609,159</b>                         | <b>5,087,033</b>             |
| <b>Investment in joint venture</b>                                   | <b>4,188,673</b>                          | <b>-</b>                     |
| <b>Other Assets</b>  |   |                              |
| Patent costs   | 1,462,492                                 | 1,367,692                    |
| Deferred financing costs, net  | -   | 491,268                      |
| Total Other Assets   | 1,462,492                                 | 1,858,960                    |
| <b>Total Assets</b>  | <b>\$ 28,260,324</b>                      | <b>\$ 6,945,993</b>          |

**LIABILITIES AND STOCKHOLDERS' EQUITY**

|  |                  |                  |
|--|------------------|------------------|
| <b>Current Liabilities</b>               |                  |                  |
| Accounts payable and accrued liabilities | \$ 1,291,777     | \$ 1,151,210     |
| Total Current Liabilities                | 1,291,777        | 1,151,210        |
| <b>Total Liabilities</b>                 | <b>1,291,777</b> | <b>1,151,210</b> |

**Commitments and Contingencies – Note 5****Stockholders' Equity**

|   |               |               |
|---|---------------|---------------|
| Preferred stock, \$0.001 par value, 10,000,000 authorized shares:   |               |               |
| Convertible Series A preferred shares, 1,020,000 shares issued and outstanding at March 31, 2018 and December 31, 2017 (liquidation preference \$3,142,813 and \$3,088,764 at March 31, 2018 and December 31, 2017, respectively) | 1,020         | 1,020         |
| Convertible Series B preferred shares, 2,666,667 and 0 shares issued and outstanding at March 31, 2018 and December 31, 2017, respectively (liquidation preference \$4,046,667 at March 31, 2018)                                 | 2,667         | -             |
|   | <b>23,928</b> | <b>12,738</b> |

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Common stock, \$0.001 par value, 100,000,000 authorized, 23,927,882 shares and 12,737,703 shares issued and outstanding as of March 31, 2018 and December 31, 2017, respectively

|   |                      |                     |
|---|----------------------|---------------------|
| Additional paid-in capital                        | 119,483,933          | 93,602,539          |
| Accumulated deficit                               | (92,543,001)         | (87,821,514)        |
| <b>Total Stockholders' Equity</b>                 | 26,968,547           | 5,794,783           |
| <b>Total Liabilities and Stockholders' Equity</b> | <b>\$ 28,260,324</b> | <b>\$ 6,945,993</b> |

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

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**Lightbridge Corporation**  
**Unaudited Condensed Consolidated Statements of Operations**

|  | <b>Three Months Ended<br/>March 31,</b> |                |
|--|---|----------------|
|  | <b>2018</b>                             | <b>2017</b>    |
| Revenue:   |   |                |
| Consulting Revenue   | \$ -                                    | \$ 135,485     |
| Cost of Consulting Services Provided   | -                                       | 85,363         |
| Gross Margin   | -                                       | 50,122         |
| Operating Expenses   |   |                |
| General and administrative   | 2,223,590                               | 1,208,303      |
| Research and development   | 911,034                                 | 464,343        |
| Total Operating Expenses   | 3,134,624                               | 1,672,646      |
| Other Operating Income and (Loss)  |   |                |
| Other income from joint venture  | 400,343                                 | -              |
| Equity in loss from joint venture  | (1,028,327)                             | -              |
| Total Other Operating Income and Loss  | (627,984)                               | -              |
| Operating Loss   | (3,762,608)                             | (1,622,524)    |
| Other Income and (Expenses)  |   |                |
| Interest income  | 23,557                                  | -              |
| Financing costs  | (982,436)                               | (122,804)      |
| Other income   | -                                       | 20             |
| Total Other Income and (Expenses)  | (958,879)                               | (122,784)      |
| Loss before income taxes   | (4,721,487)                             | (1,745,308)    |
| Income taxes   | -                                       | -              |
| Net loss   | \$ (4,721,487)                          | \$ (1,745,308) |
| Accumulated preferred stock dividend   | (112,902)                               | (49,000)       |
| Deemed additional dividend on preferred stock dividend due the beneficial conversion feature             | (31,134)                                | -              |
| Deemed dividend on issuance of Series B convertible preferred stock due to beneficial conversion feature | (2,624,836)                             | -              |

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|  |    |             |    |             |
|--|----|-------------|----|-------------|
| Net loss attributable to common stockholders         | \$ | (7,490,359) | \$ | (1,794,308) |
| Net Loss Per Common Share, Basic and Diluted         |    | (0.39)      | \$ | (0.20)      |
| Weighted Average Number of Common Shares Outstanding |    | 19,231,578  |    | 9,138,014   |

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



Table of Contents**Lightbridge Corporation****Unaudited Condensed Consolidated Statements of Cash Flows**

|   | <b>Three Months Ended<br/>March 31,</b> |                |
|---|---|----------------|
|   | <b>2018</b>                             | <b>2017</b>    |
| <b>Operating Activities:</b>  |   |                |
| Net Loss  | \$ (4,721,487)                          | \$ (1,745,308) |
| Adjustments to reconcile net loss from operations to net cash used in operating activities: |   |                |
| Stock-based compensation  | 1,273,035                               | 229,631        |
| Amortization of deferred financing cost   | -                                       | 122,804        |
| Write off of deferred financing costs   | 982,436                                 | -              |
| Equity in loss from joint venture   | 1,028,327                               | -              |
| Changes in operating working capital items:   |   |                |
| Accounts receivable - fees and reimbursable project costs                                   | 10,400                                  | 300,820        |
| Other receivable from joint venture   | (488,685)                               | -              |
| Prepaid expenses and other assets   | (76,545)                                | (84,134)       |
| Accounts payable and accrued liabilities  | 140,567                                 | 78,262         |
| Deferred lease abandonment liability  | -                                       | (42,164)       |
| Net Cash Used In Operating Activities   | (1,851,952)                             | (1,140,089)    |
| <b>Investing Activities:</b>  |   |                |
| Investment in joint venture   | (5,217,000)                             | -              |
| Patent costs  | (94,800)                                | (42,889)       |
| Net Cash Used In Investing Activities   | (5,311,800)                             | (42,889)       |
| <b>Financing Activities:</b>  |   |                |
| Net proceeds from the issuance of common stock  | 20,722,215                              | 2,813,160      |
| Net proceeds from the issuance of preferred stock   | 3,900,001                               | -              |
| Restricted cash   | -                                       | (24)           |
| Net Cash Provided by Financing Activities   | 24,622,216                              | 2,813,136      |
| Net Increase In Cash and Cash Equivalents   | 17,458,464                              | 1,630,158      |
| Cash and Cash Equivalents, Beginning of Period  | 4,515,398                               | 3,584,877      |
| Cash and Cash Equivalents, End of Period  | \$ 21,973,862                           | \$ 5,215,035   |
| <b>Supplemental Disclosure of Cash Flow Information:</b>                                    |   |                |
| Cash paid during the period:  |   |                |
| Interest paid   | \$ -                                    | \$ -           |
| Income taxes paid   | \$ -                                    | \$ -           |
| Non-Cash Financing Activities:  |   |                |

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|  |    |           |    |         |
|--|----|-----------|----|---------|
| Deemed dividend on Series B convertible preferred stock due to beneficial conversion feature | \$ | 2,624,836 | \$ | -       |
| Accumulated preferred stock dividend   | \$ | 144,036   | \$ | 49,000  |
| Decrease in accrued liabilities - stock-based compensation                                   | \$ | -         | \$ | 121,720 |

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

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## Lightbridge Corporation

## Unaudited Condensed Consolidated Statement of Changes in Stockholders' Equity

|  | Series A                  |          | Series B                  |        | Common Stock |           | Additional<br>Paid-in<br>Capital | Accumulated<br>Deficit | Total<br>Equity |
|--|---------------------------|----------|---------------------------|--------|--------------|-----------|----------------------------------|------------------------|-----------------|
|  | Preferred Stock<br>Shares | Amount   | Preferred Stock<br>Shares | Amount | Shares       | Amount    |                                  |                        |                 |
| Balance -<br>December 31,<br>2016  | 1,020,000                 | \$ 1,020 | -                         | \$ -   | 7,112,143    | \$ 7,112  | \$ 86,266,075                    | \$ (80,716,617)        | \$ 5,557,59     |
| Consulting<br>fees paid in<br>stock -<br>non-cash<br>payment of<br>accrued<br>expenses | -                         |          | -                         | -      | 102,975      | \$ 103    | \$ 121,617                       | \$ -                   | \$ 121,72       |
| Shares issued<br>- registered<br>offerings – net<br>of offering<br>costs               | -                         |          | -                         | -      | 5,236,001    | 5,236     | 6,021,828                        | -                      | 6,027,06        |
| Cashless<br>exercise of<br>stock warrants  |                           |          |                           |        | 286,584      | 287       | (287)                            |                        |                 |
| Stock-based<br>compensation  | -                         |          | -                         | -      | -            | -         | 1,193,306                        | -                      | 1,193,30        |
| Net loss -year   | -                         |          | -                         | -      | -            | -         | -                                | (7,104,897)            | (7,104,89       |
| Balance -<br>December 31,<br>2017  | 1,020,000                 | \$ 1,020 | -                         | \$ -   | 12,737,703   | \$ 12,738 | \$ 93,602,539                    | \$ (87,821,514)        | \$ 5,794,78     |
| Issuance of<br>Preferred<br>Stock  |                           |          | 2,666,667                 | 2,667  |              |           | 3,897,334                        |                        | 3,900,00        |
| Shares issued<br>- registered<br>offerings – net<br>of offering<br>costs               | -                         |          | -                         | -      | 10,693,535   | 10,694    | 20,711,521                       | -                      | 20,722,21       |
| Cashless<br>exercise of<br>stock warrants  | -                         |          | -                         | -      | 496,644      | 496       | (496)                            |                        |                 |
|  |                           |          | -                         | -      | -            | -         | 1,273,035                        | -                      | 1,273,03        |

|                                      |           |          |           |          |            |           |                |                |              |
|--------------------------------------|-----------|----------|-----------|----------|------------|-----------|----------------|----------------|--------------|
| Stock-based compensation             |           |          |           |          |            |           |                |                |              |
| Net loss for the period              | -         | -        | -         | -        | -          | -         | -              | (4,721,487)    | (4,721,487)  |
| Balance – March 31, 2018 (unaudited) | 1,020,000 | \$ 1,020 | 2,666,667 | \$ 2,667 | 23,927,882 | \$ 23,928 | \$ 119,483,933 | \$(92,543,001) | \$ 26,968,54 |

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

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**LIGHTBRIDGE CORPORATION**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1. Basis of Presentation, Summary of Significant Accounting Policies and Nature of Operations**

*Basis of presentation*

The accompanying unaudited condensed consolidated financial statements of Lightbridge Corporation and its subsidiaries have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission, or the SEC, including the instructions to Form 10-Q and Regulation S-X. Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States of America, including a summary of the Company's significant accounting policies, have been condensed or omitted from these statements pursuant to such rules and regulations and, accordingly, they do not include all the information and notes necessary for comprehensive consolidated financial statements and should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2017, included in our Annual Report on Form 10-K for the year ended December 31, 2017.

In the opinion of the management of the Company, all adjustments, which are of a normal recurring nature, necessary for a fair statement of the results for the three-month period have been made. Results for the interim period presented are not necessarily indicative of the results that might be expected for the entire fiscal year. When used in these notes, the terms "Lightbridge", "Company," "we," "us" or "our" mean Lightbridge Corporation and all entities included in our condensed consolidated financial statements.

The Company was formed on October 6, 2006, when Thorium Power, Ltd. merged with Thorium Power, Inc., ("TPI"), which had been formed in the State of Delaware on January 8, 1992. On September 29, 2009, we changed our name from Thorium Power, Ltd. to Lightbridge Corporation. We are engaged in two operating business segments: our Technology Business Segment and our Consulting Business Segment (see Note 8-Business Segment Results).

*Liquidity*

As of March 31, 2018, the Company has an accumulated deficit of approximately \$92.5 million, representative of recurring losses since inception. The Company has incurred recurring losses since inception due to the fact that it is a

development stage nuclear fuel development company. The Company expects to continue to incur losses as a result of costs and expenses related to the Company's research and development expenses and corporate general and administrative expenses.

At March 31, 2018, the Company had \$22.0 million in cash and cash equivalents and had a working capital surplus of approximately \$21.3 million. The Company had expended substantial funds on its research and development activities and expects to increase this spending through its equity contributions to Enfission, LLC. The Company's net cash used in operating activities during the three months ended March 31, 2018 was approximately \$1.9 million, and current projections indicate that the Company will have continued negative cash flows for the foreseeable future. Net losses incurred for the three months ended March 31, 2018 and 2017 amounted to approximately \$4.7 million and \$1.7, million respectively.

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The amount of cash and cash equivalents on the balance sheet as of the date of the filing is approximately \$22 million. The Company also may consider other plans to fund operations including: (1) raising additional capital through debt financings or from other sources; (2) additional funding through new relationships to help fund future research and development costs (i.e. Department of Energy funding); and (3) additional capital raises. The Company may issue securities, including common stock, preferred stock and stock purchase contracts through private placement transactions or registered public offerings, pursuant to its registration statement on Form S-3 filed with the Securities and Exchange Commission (“SEC”) on March 15, 2018 and declared effective on March 23, 2018. There can be no assurance as to the availability or terms upon which financing and capital might be available. The Company’s future liquidity needs, and ability to address those needs, will largely be determined by the success of the development of its nuclear fuel and key nuclear development and regulatory events and its business decisions in the future.

The Company believes that its current financial resources, as of the date of the issuance of these financial statements, are sufficient to fund its current 12 month operating budget, alleviating the substantial doubt raised by our historical operating results and satisfying our estimated liquidity needs 12 months from the issuance of these financial statements.

***Equity Method Investment – Enfission, LLC - Joint Venture with Framatome Inc.***

In January 2018, Lightbridge and Framatome Inc. a subsidiary of Framatome (formerly AREVA) finalized and launched Enfission, LLC, (“Enfission”), a 50-50 joint venture company to develop, license and sell nuclear fuel assemblies based on Lightbridge-designed metallic fuel technology and other advanced nuclear fuel intellectual property. Framatome and Framatome Inc. (collectively “Framatome”) is a leader in designing, building, servicing, and fueling reactor fleet and advancing nuclear energy. The two companies already began joint fuel development and regulatory licensing work under previously signed agreements initiated in March 2016. The joint venture Enfission is a Delaware-based limited liability company that was formed on January 24, 2018.

Management has determined that its investment in Enfission should be accounted for under the equity method of accounting. Under the equity method of accounting, an investee company’s accounts are not reflected within the Company’s condensed consolidated balance sheets and condensed consolidated statements of operations, however, the Company’s share of the losses of the investee company is reported in the Equity in loss from joint venture line item in the condensed consolidated statements of operations, and the Company’s carrying value in an equity method investee company is reported in the Investment in joint venture line item in the condensed consolidated balance sheets.

The Company allocates income (loss) utilizing the hypothetical liquidation book value (“HLBV”) method, in which the Company allocates income or loss based on the change in each JV member’s claim on the net assets of the Company’s operating agreement at period end after adjusting for any distributions or contributions made during such period. The Company uses this method because of the difference between the distribution rights and priorities set forth

in the Joint Venture Operating Agreement and what is reflected by the underlying percentage ownership interests of the Joint Venture. Additionally, if the Company's carrying value in an equity method investment is zero and the Company has not guaranteed any obligations of the investee, nor is it required to provide additional funding to the investee, the Company will not recognize its share of any reported losses by the investee until future equity contributions or earnings are generated to offset previously unrecognized losses.

***Basis of Consolidation***

These condensed consolidated financial statements include the accounts of Lightbridge, a Nevada corporation, and our wholly-owned subsidiaries, TPI, a Delaware corporation and Lightbridge International Holding LLC, a Delaware limited liability company. All significant intercompany transactions and balances have been eliminated in consolidation. We registered a branch office in the United Kingdom in 2008 called Lightbridge Advisors Limited (inactive) and we also established a branch office in Moscow, Russia, in July 2009, which were wholly owned by Lightbridge International Holding LLC. The Moscow branch was closed in 2016 and the United Kingdom branch was closed in 2017. Translation gains and losses for the three months ended March 31, 2018 and 2017 were not significant.



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As of January 24, 2018, the Company owns a 50% interest in Enfission –accounted for using the equity method of accounting (Note 3). Enfission is deemed to be variable interest entity ("VIE") under the VIE model of consolidation because it currently does not have sufficient funds to finance its operations and will require significant additional equity or subordinated debt financing. The Company has determined that it is not the primary beneficiary of the VIE since it does not have the power to direct the activities that most significantly impact the VIE's performance.

In determining whether we are the primary beneficiary and whether we have the right to receive benefits or the obligation to absorb losses that could potentially be significant to the VIE, we evaluate all our economic interests in the entity, regardless of form. This evaluation considers all relevant factors of the entity's structure, including: the entity's capital structure, contractual rights to earnings (losses) as well as other contractual arrangements that have potential to be economically significant. Although we have the obligation to absorb the losses as of this reporting period, we concluded that we are not the primary beneficiary since the major decision making for all significant economic activities require both the approval of the Company and Framatome. The significant economic activities identified were financing activities; research and development activities; licensing activities; manufacturing of fuel assembly product activities and marketing and sales activities. The evaluation of each of these factors in reaching a conclusion about the potential significance of our economic interests and control is a matter that requires the exercise of professional judgment.

### *Cash and Cash Equivalents*

We may at times invest our excess cash in savings accounts and US Treasury Bills. We classify all highly liquid investments with stated maturities of three months or less from date of purchase as cash equivalents and all highly liquid investments with stated maturities of greater than three months as marketable securities. We hold cash balances in excess of the federally insured limits of \$250,000 with one prominent financial institution. We deem this credit risk not to be significant as our cash is held by a major prominent financial institution. We buy and hold short-term US Treasury Bills from Treasury Direct to maturity. US Treasury Bills totaled approximately \$1.0 million at March 31, 2018 with the remaining \$21.0 million on deposits with two financial institutions. Total cash and cash equivalents held, as reported on the accompanying condensed consolidated balance sheets, totaled approximately \$22.0 million and \$4.5 million at March 31, 2018 and December 31, 2017, respectively.

### *Technology Business Segment*

Our primary business segment, based on future revenue potential, is to develop and commercialize innovative, proprietary nuclear fuel designs which we expect will significantly enhance the nuclear power industry's economics due to higher power output and improve safety margins.

We are currently focusing our development efforts primarily on the metallic fuel with a power uprate of potentially up to 10% and a 24-month operating cycle in existing Westinghouse-type four-loop pressurized water reactors. Those reactors represent the largest segment of our global target market. Our metallic fuel could also be adapted for use in other types of water-cooled commercial power reactors, such as boiling water reactors, CANDU heavy water reactors, as well as water-cooled small and modular reactors.

Lightbridge will seek patent validation in key countries that either currently operate or are expected to build and operate a large number of suitable nuclear power reactors.

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***Consulting Business Segment***

Our business model expanded with the establishment of a consulting business segment in 2007, through which we provide consulting and strategic advisory services to companies and governments planning to create or expand electricity generation capabilities using nuclear power plants.

***Beneficial Conversion Feature of Convertible Preferred Stock***

The Company accounts for the beneficial conversion feature on its convertible preferred stock in accordance with ASC 470-20, *Debt with Conversion and Other Options*. The Beneficial Conversion Feature (“BCF”) of convertible preferred stock is normally characterized as the convertible portion or feature that provides a rate of conversion that is below market value or in-the-money when issued. We record a BCF related to the issuance of convertible preferred stock when issued. Beneficial conversion features that are contingent upon the occurrence of a future event are recorded when the contingency is resolved.

To determine the effective conversion price, we first allocate the proceeds received to the convertible preferred stock and then use those allocated proceeds to determine the effective conversion price. If the convertible instrument is issued in a basket transaction (i.e., issued along with other freestanding financial instruments), the proceeds should first be allocated to the various instruments in the basket. The intrinsic value of the conversion option should be measured using the effective conversion price for the convertible preferred stock on the proceeds allocated to that instrument. The effective conversion price represents proceeds allocable to the convertible preferred stock divided by the number of shares into which it is convertible. The effective conversion price is then compared to the per share fair value of the underlying common shares on the commitment date. The accounting for a BCF requires that the BCF be recognized by allocating the intrinsic value of the conversion option to additional paid-in capital, resulting in a discount on the convertible preferred stock. This discount should be accreted from the date on which the BCF is first recognized through the earliest conversion date for instruments that do not have a stated redemption date. The intrinsic value of the BCF is recognized as a deemed dividend on convertible preferred stock over a period specified in the guidance. In the case of the both the Series A and Series B preferred shares the holders of the shares had the right to convert beginning at the date of issuance with the result that the accretion of the related BCF was recognized immediately at issuance.

When the Company’s preferred stock has dividends that are paid-in-kind (“PIK”) (i.e., the holder is paid in additional shares or liquidation/dividend rights), and either 1) neither the Company nor the holder has the option for the dividend to be paid in cash, or 2) the PIK amounts do not accrue to the holder if the instrument is converted prior to the PIK amount otherwise being accrued or due, additional BCF is recognized as dividends accrue to extent that the per share fair value of the underlying common shares at the commitment date exceeds the conversion price.

***Recently Adopted Accounting Pronouncements***

*Statement of Cash Flows* - In 2016 the FASB issued ASU 2016-15, “*Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments*” and ASU 2016-18, “*Statement of Cash Flows (Topic 230): Restricted Cash*”. ASU 2016-15 addresses the presentation and classification of certain cash receipts and payments in the statement of cash flows. ASU 2016-18 is intended to reduce diversity in the presentation of restricted cash and restricted cash equivalents in the cash flows statement. The statement requires that restricted cash and restricted cash equivalents to be included as components of total cash and cash equivalents as presented on the statement of cash flows. These pronouncements go into effect for periods beginning after December 15, 2017. This new pronouncement has been adopted on January 1, 2018 and did not have a material effect on the Company’s financial position, results of operations or cash flows.

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*Revenue Recognition* — In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* which supersedes most current revenue recognition guidance, including industry-specific guidance. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. In March 2016, the FASB issued ASU 2016-08, "*Revenue from Contracts with Customers: Principal versus Agent Considerations*". ASU 2016-08 clarifies implementation guidance on principal versus agent considerations in ASU 2014-09. ASU 2016-10 was issued to clarify ASC Topic 606 related to (i) identifying performance obligations; and (ii) the licensing implementation guidance. In May 2016, the FASB issued ASU 2016-12, "*Revenue from Contracts with Customers - Narrow-Scope Improvements and Practical Expedients*", to clarify certain narrow aspects of Topic 606 such as assessing the collectability criterion, presentation of sales taxes and other similar taxes collected from customers, noncash consideration, contract modifications at transition, completed contracts at transition, and technical correction. The guidance is effective for the interim and annual periods beginning on or after December 15, 2017 (early adoption is permitted but not sooner than the annual reporting periods beginning after December 15, 2016). The guidance permits the use of either a retrospective or cumulative effect transition method. The Company has evaluated its various contracts subject to these updates and completed its assessment. The Company has concluded that the adoption of this pronouncement did not have a material effect on its consolidated financial statements and related disclosures since we did not have any revenue in 2018.

*Compensation-Stock Compensation* — In May 2017, the FASB issued ASU 2017-09, *Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting*. ASU 2017-09 provides clarity and reduces both (1) diversity in practice and (2) cost and complexity when applying the guidance in Topic 718, to a change to the terms or conditions of a share-based payment award. The amendments in ASU 2017-09 should be applied prospectively to an award modified on or after the adoption date. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. This new pronouncement has been adopted on January 1, 2018 and did not have a material effect on the Company's financial position, results of operations or cash flows.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments (Subtopic 825-10) - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01")*. This standard provides guidance on how entities measure certain equity investments and present changes in the fair value. This standard requires that entities measure certain equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income. ASU 2016-01 is effective for fiscal years beginning after December 31, 2017. This new pronouncement has been adopted on January 1, 2018 and did not have a material effect on the Company's financial position, results of operations or cash flows.



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**Recent Accounting Pronouncements**

*Intangibles, Goodwill and Other* —In January 2017, the FASB issued ASU No. 2017-04, “Intangibles – Goodwill and Other (Topic 350) – Simplifying the Test for Goodwill Impairment” (“ASU No. 2017-04”). To simplify the subsequent measurement of goodwill, ASU No. 2017-04 eliminates Step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Instead, ASU No. 2017-04 requires an entity to perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. ASU No. 2017-04 also eliminates the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. Therefore, the same impairment assessment applies to all reporting units. An entity is required to disclose the amount of goodwill allocated to each reporting unit with a zero or negative carrying amount of net assets. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. ASU No. 2017-04 is effective for fiscal years beginning after December 15, 2019. The Company will adopt ASU No. 2017-04 commencing in the first quarter of fiscal 2020. The Company does not believe this standard will have a material impact on its consolidated financial statements or the related footnote disclosures.

*Leases* – In February 2016, the FASB issued ASU 2016-02 which amends existing lease accounting guidance and requires recognition of most lease arrangements on the balance sheet. The adoption of this standard will result in the Company recognizing a right-of-use asset representing its rights to use the underlying asset for the lease term with an offsetting lease liability. ASU 2016-02 will be effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the potential impact of the adoption of this accounting pronouncement to its consolidated financial statements. This new pronouncement is not expected to have a material effect on the Company’s consolidated financial position, results of operations or cash flows.

The Company does not believe that other standards which have been issued but are not yet effective will have a significant impact on its financial statements.

**Note 2. Net Loss Per Share**

Basic net loss per share is computed using the weighted-average number of common shares outstanding during the period except that it does not include unvested common shares subject to repurchase or cancellation. Diluted net income per share is computed using the weighted-average number of common shares and, if dilutive, potential

common shares outstanding during the period. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options, warrants, restricted shares, and unvested common shares subject to repurchase or cancellation. The dilutive effect of outstanding stock options, restricted shares, restricted stock units, and warrants is not reflected in diluted earnings per share because we incurred net losses for the three months ended March 31, 2018 and 2017, and the effect of including these potential common shares in the net loss per share calculations would be anti-dilutive and are therefore not included in the calculations.

**Note 3. Investment in Joint Venture**

Pursuant to the Joint Venture Operating Agreement, both partners agreed that Enfission will serve as an exclusive vehicle to develop, license and sell nuclear fuel assemblies based on Company-designed metallic fuel technology and other advanced nuclear fuel intellectual property licensed to Enfission by the Company and Framatome or their affiliates. The joint venture builds on the joint fuel development and regulatory licensing work under previously signed agreements initiated in March 2016.



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The Joint Venture Operating Agreement provided that the Company and Framatome each hold 50% of the total issued Class A voting membership units of the Joint Venture. The Company's investment accounted for under the equity method consist of the following as of March 31, 2018 (rounded in millions):

| <b>Investment Name</b>           | <b>Ownership Interest</b> | <b>Carrying Amount</b> |
|----------------------------------|---------------------------|------------------------|
| Enfission, LLC                   | 50%                       | 4.2                    |
| Total - Equity Method Investment |                           | \$ 4.2                 |

The Company invested approximately \$5.2 million in Enfission as of March 31, 2018. During the three-month period ended March 31, 2018, Enfission incurred a loss of approximately \$1 million, and accordingly, the Company recorded its share of the loss in investment in Enfission, in accordance with the provisions in the joint venture operating agreement, of approximately \$1.0 million in the accompanying condensed consolidated statement of operations. The Company's investments exceeded the approximately \$3.5 million that it was contractually bound to provide as of the inception of Enfission. The Company expects to continue providing additional equity contributions for the foreseeable future.

Summarized financial information for the Company's equity method investee Enfission as of March 31, 2018 is presented in the following table (amounts in millions):

|                      |        |
|----------------------|--------|
| Current assets       |        |
| Cash                 | \$ 5.4 |
| Other current assets | 0.1    |
| Total assets         | \$ 5.5 |
| Current liabilities  | \$ 1.0 |
| Total liabilities    | \$ 1.0 |

Summarized financial information for the Company's equity method investee Enfission is presented in the following table for the period ended March 31, 2018 (amounts in millions):

|                                |        |
|--------------------------------|--------|
| Net sales and revenue          | \$ 0.0 |
| Research and development costs | \$ 0.9 |
| Administrative expenses        | \$ 0.1 |
| Total Operating Loss           | \$ 1.0 |
| Loss from operations           | \$ 1.0 |
| Net loss                       | \$ 1.0 |

As of March 31, 2018, the total receivable due from Enfission was approximately \$0.5 million which represents consulting fees charged to Enfission of approximately \$0.4 million and reimbursed expenses paid by Lightbridge on Enfission's behalf of \$0.1 million.

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Accounts payable and accrued expenses (rounded in millions) consisted of the following:

|                            | <b>March 31,<br/>2018</b> | <b>December<br/>31,<br/>2017</b> |
|----------------------------|---------------------------|----------------------------------|
| Trade payables             | \$ 0.5                    | \$ 0.3                           |
| Accrued expenses and other | 0.6                       | 0.6                              |
| Accrued bonuses            | 0.2                       | 0.3                              |
| Total                      | \$ 1.3                    | \$ 1.2                           |

**Note 5. Commitments and Contingencies****Commitments*****Operating Leases***

On December 22, 2015 we entered into a lease for new office space for a 12-month term, with a monthly rent payment of approximately \$6,500 per month plus additional charges. This lease was renewed for an additional one-year term in December 2017.

The future minimum lease payments required under the non-cancelable operating leases are as follows (rounded in millions):

| <b>Year ending December 31,</b> | <b>Amount</b> |
|---------------------------------|---------------|
| 2018                            | \$ 0.1        |
| Total minimum payments required | \$ 0.1        |

**Contingency**

## **Litigation**

A former Chief Financial Officer of the Company filed a complaint against the Company with the U.S. Occupational Safety and Health Administration (the “OSHA Complaint”) on March 9, 2015. This complaint was closed and dismissed by OSHA in January 2018 without any findings against the Company. The former Chief Financial Officer had 45 days from the receipt of the letter from OSHA, or approximately up to March 29, 2018 to appeal this OSHA decision. On March 14, 2018 an appeal was filed and the Company will vigorously defend this appeal and believes that this appeal will not result in any findings against the Company.

## **Note 6. Research and Development Costs**

Research and development costs, included in the accompanying condensed consolidated statement of operations amounted to approximately \$0.9 million and \$0.5 million for the three months ended March 31, 2018 and 2017, respectively.

We have consulting agreements with several outside consultants working on various projects for us, which total approximately \$20,000 per month.

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**Note 7. Stockholders' Equity**

At March 31, 2018, there were 23,927,882 common shares outstanding, and there were also outstanding warrants relating to 1,511,001 shares of common stock, stock options relating to 3,973,550 shares of common stock, 1,020,000 shares of Series A convertible preferred stock convertible into 1,020,000 shares of common stock (plus accrued dividends of \$342,813, relating to an additional 124,659 common shares), and 2,666,667 shares of Series B convertible preferred stock convertible into 2,666,667 shares of common stock (plus accrued dividends of \$46,667, relating to an additional 31,111 common shares), all totaling 33,254,870 shares of common stock and common stock equivalents outstanding at March 31, 2018.

At December 31, 2017, there were 12,737,703 common shares outstanding, and there were also outstanding warrants relating to 1,210,905 shares of common stock, stock options relating to 3,976,884 shares of common stock, and 1,020,000 shares of Series A convertible preferred stock convertible into 1,020,000 shares of common stock (plus accrued dividends of \$276,578, relating to an additional 100,753 common shares), all totaling 19,046,245 shares of common stock and common stock equivalents outstanding at December 31, 2017.

**Filing of New \$75 Million Shelf Registration Statement**

On March 15, 2018, the Company filed a new shelf registration statement on Form S-3, registering the sale of up to \$75 million of the Company's securities, which registration statement became effective on March 23, 2018.

**Common Stock Equity Offerings**

***ATM Offering - 2018***

On March 30, 2018, the Company entered into an at-the-market issuance sales agreement ("New ATM") with B. Riley FBR, Inc. (the "Distribution Agent"), pursuant to which the Company may issue and sell shares of its common stock from time to time through the Distribution Agent as the Company's sales agent. Sales of the Company's common stock through the Distribution Agent, if any, will be made by any method that is deemed to be an "at-the-market" equity offering as defined in Rule 415 promulgated under the Securities Act of 1933, as amended, pursuant to the Company's effective shelf registration statement on Form S-3 (File No. 333-223674) filed on March 15, 2018 with the Securities and Exchange Commission and declared effective on March 23, 2018, the base prospectus filed as part of such registration statement and the prospectus supplement dated March 30, 2018, which registered the offer and sale of up

to \$50 million of common stock under the New ATM. No sales under the New ATM were made during the three months ended March 31, 2018.

On January 24, 2018, January 26, 2018, February 7, 2018 and March 2, 2018, the Company filed prospectus supplements registering an aggregate of approximately \$22.6 million under the prior ATM agreement with B. Riley FBR, Inc., of which the Company sold approximately \$20.4 million during the three months ended March 31, 2018. No additional sales may be made under the prior ATM agreement.

*ATM Offering - 2017*

On July 12, 2017, the Company entered into an ATM sales agreement with FBR Capital Markets & Co. and MLV & Co. LLC. The Company registered the sale of approximately \$1.6 million under the ATM sales agreement on July 12, 2017 and sold all of such amount in the year ended December 31, 2017, through the issuance of approximately 1.4 million shares.

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Preferred Stock Equity Offerings

***Series B Preferred Stock - Securities Purchase Agreement***

On January 30, 2018, the Company issued 2,666,667 shares of newly created Non-Voting Series B Convertible Preferred Stock (the “Series B Preferred Stock”) and associated warrants to purchase up to 666,664 shares of the Company’s common stock to the several purchasers for approximately \$4.0 million or approximately \$1.50 per share of Series B Preferred Stock and associated 0.25 of a warrant. Dividends accrue on the Series B Preferred Stock at the rate of 7% per year and will be paid in-kind through an increase in the liquidation preference per share. The liquidation preference, initially \$1.50 per share of Series B Preferred Stock, is the base that is also used to determine the number of common shares into which the Series B Preferred Stock will convert as well as the calculation of the 7% dividend. Each share of Series B Preferred Stock is convertible at the option of the holder into such number of shares of the Company’s common stock equal to the liquidation preference divided by the conversion price of \$1.50 per share subject to adjustments in the case of stock splits and stock dividends.

Holders of the Series B Preferred Stock are also entitled to participating dividends whenever dividends in cash securities (other than shares of the Company’s common stock paid on shares of common stock) or property are paid on common shares or shares of Series A Preferred Stock. The amount of the dividends will equal the amount to which the holder would be entitled if all shares of Series B Preferred Stock had been converted to common stock immediately prior to the record date.

The warrants have a per share of common stock exercise price of \$1.875, which is subject to adjustment in the event of certain stock dividends and distributions, stock splits, recapitalizations, stock combinations, reclassifications or similar events affecting the Company’s common stock. The warrants are exercisable upon issuance and will expire six months after issuance. On February 6, 2017 the Company entered into an agreement with an investment bank that introduced the Company to these investors. The agreement calls for monthly retainer payments of \$15,000, which are credited against any transaction introductory fee earned by the investment bank. This agreement calls for a seven percent transaction introductory fee and warrants equal to 5 percent of the total transaction amount, at a strike price equal to the offering price for a three-year term.

The holders of the Series B Preferred Stock have no voting rights. In addition, as long as the shares of Series A Preferred Stock are outstanding, the Company may not take certain actions without first having obtained the affirmative vote or waiver of the holders of a majority of the outstanding shares of Series B Preferred Stock. The Company has the option at any time after August 2, 2019 to redeem some or all of the outstanding Series B Preferred Stock for an amount in cash equal to the liquidation preference plus the amount of any accrued but unpaid dividends of the Series B Preferred Stock being redeemed. The holders of the Series B Preferred Stock do not have the ability to require the Company to redeem the Series B Preferred Stock.

The accumulated dividend (unpaid) at March 31, 2018 was approximately \$47,000. The liquidation preference of the Series B Preferred Stock at March 31, 2018 is approximately \$4,047,000.

The Company has the option of forcing the conversion of all or part of the Series B Preferred Stock if at any time the average closing price of the Company's common stock for a thirty-trading day period is greater than \$5.4902 prior to August 2, 2019 or greater than \$8.2353 at any time. The Company can only exercise this option if it also requires the conversion of the Series A Preferred Stock in the same proportion as it is requiring of the Series B Preferred Stock.

Of the \$4 million proceeds, approximately \$0.3 million was allocated to the warrants with the remaining approximate \$3.7 million allocated to the Series B Preferred Stock. The Series B Preferred Stock was initially convertible into 2,666,667 shares of common stock. The average of the high and low market prices of the common stock on January 30, 2018, the date of the closing of the sale of the preferred stock, was approximately \$2.34 per share. At \$2.34 per share the common stock into which the Series B Preferred Stock was initially convertible was valued at approximately \$6.2 million. This amount was compared to the \$3.6 million of proceeds allocated to the Series B Preferred Stock to indicate that a BCF of approximately \$2.6 million existed at the date of issuance which was immediately accreted as a deemed dividend because the conversion rights were immediately effective. This deemed dividend is included on the statement of operations for the three months ended March 31, 2018.



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Additionally, comparison of the \$1.50 conversion price of the PIK dividends to the \$2.34 commitment date fair value per share indicates that each PIK dividend will accrete \$0.84 of BCF as an additional deemed dividend for every \$1.50 of PIK dividend accrued. Total deemed dividends for this PIK dividend at March 31, 2018 was approximately \$21,000.

Pursuant to the Series B Preferred Stock - Securities Purchase Agreement we terminated our stock purchase agreement with Aspire Capital and this termination resulted in a write-off of our deferred financing costs asset of approximately \$1 million.

***Series A Preferred Stock - Securities Purchase Agreement***

On August 2, 2016, the Company issued 1,020,000 shares of newly created Non-Voting Series A Convertible Preferred Stock (the "Series A Preferred Stock") to General International Holdings, Inc. ("GIH") for \$2.8 million or approximately \$2.75 per share. Dividends accrue on the Series A Preferred Stock at the rate of 7% per year and will be paid in-kind through an increase in the liquidation preference per share. The liquidation preference, initially \$2.7451 per share of Series A Preferred Stock, is the base that is also used to determine the number of common shares into which the Series A Preferred Stock will convert as well as the calculation of the 7% dividend. Each share of Series A Preferred Stock is convertible at the option of the holder into such number of shares of the Company's common stock equal to the liquidation preference divided by the conversion price of \$2.7451 per share subject to adjustments in the case of stock splits and stock dividends.

Holders of the Series A Preferred Stock are also entitled to participating dividends whenever dividends in cash securities (other than shares of the Company's common stock) or property are paid on common shares. The amount of the dividends will be the amount to which the holder would be entitled if all shares of Series A Preferred Stock had been converted to common stock immediately prior to the record date.

The accumulated dividend (unpaid) at March 31, 2018 and December 31, 2017 was approximately \$0.3 million dollars.

The Company has the option of forcing the conversion of the Series A Preferred Stock if the trading price for the Company's common stock is more than two times the applicable conversion price (approximately \$2.75 per share) before the third anniversary of the issuance of the Series A Preferred Stock, or if the trading price is more than three times the applicable conversion price following the third anniversary of issuance. The Company may also redeem the Series A Preferred Stock following the third anniversary of the issuance.

The Series A Preferred Stock was initially convertible into 1,020,000 shares of common stock. The average of the high and low market prices of the common stock on August 6, 2016, the date of the closing of the sale of the Series A Preferred Stock, was approximately \$3.315 per share. At \$3.315 per share the common stock into which the Series A Preferred Stock was initially convertible was valued at approximately \$3.4 million. This amount was compared to the \$2.8 million of proceeds of the Series A Preferred Stock to indicate that a BCF of approximately \$0.6 million existed at the date of issuance which was immediately accreted as a deemed dividend because the conversion rights were immediately effective.

Additionally, comparison of the \$2.7451 conversion price of the PIK dividends to the \$3.315 commitment date fair value per share indicates that each PIK dividend will accrete \$0.5699 of BCF as an additional deemed dividend for every \$2.7451 of PIK dividend accrued. Total deemed dividends for this PIK dividend at March 31, 2018 was approximately \$10,000.

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The holders of the Series A Preferred Stock have no voting rights. In addition, as long as 255,000 shares of Series A Preferred Stock are outstanding, the Company may not take certain actions without first having obtained the affirmative vote or waiver of the holders of a majority of the outstanding shares of Series A Preferred Stock. The Company has the option at any time after August 2, 2019 to redeem some or all of the outstanding Series A Preferred Stock for an amount in cash equal to the liquidation preference plus the amount of any accrued but unpaid dividends of the Series A Preferred Stock being redeemed. The holders of the Series A Preferred Stock do not have the ability to require the Company to redeem the Series A Preferred Stock. The liquidation preference of the Series A Preferred Stock at March 31, 2018 and December 31, 2017 was approximately \$3.1 million.

Warrants

| <i>Outstanding Warrants</i>   | <b>March 31,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|---|---------------------------|------------------------------|
| Issued to Investors on October 25, 2013, entitling the holders to purchase 250,000 common shares in the Company at an exercise price of \$11.50 per common share up to and including April 24, 2021. In 2016, 59,450 of these warrants were exchanged for common stock, and all remaining warrant holders agreed to new warrant terms which excluded any potential net cash settlement provisions in exchange for a reduced exercise price of \$6.25 per share. | 163,986                   | 163,986                      |
| Issued to Investors on November 17, 2014, entitling the holders to purchase 546,919 common shares in the Company at an exercise price of \$11.55 per common share up to and including May 16, 2022. On June 30, 2016, the warrant holders agreed to new warrant terms which excluded any potential net cash settlement provisions in order to classify them as equity in exchange for a reduced exercise price of \$6.25 per share.                             | 546,919                   | 546,919                      |
| Issued to an investor on August 10, 2016, entitling the holders to purchase 500,000 common shares in the Company at an exercise price of price of \$0.01 per share, up to and including December 31, 2019. These warrants were exercised in January 2018.   | -                         | 500,000                      |
| Issued to Series B Preferred Stock investors on January 30, 2018, entitling the holders to purchase 666,664 common shares in the Company at an exercise price of price of \$1.875 per share, up to and including July 30, 2018.   | 666,664                   | -                            |
| Issued to an investment bank regarding the Series B Preferred Stock investment on January 30, 2018, entitling the holder to purchase 133,432 common shares in the Company at an exercise price of price of \$1.50 per share, up to and including January 30, 2021.  | 133,432                   | -                            |
|   | 1,511,001                 | 1,210,905                    |



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**Stock-based Compensation – Stock Options**

***2015 Equity Incentive Plan***

On March 25, 2015, the Compensation Committee and Board of Directors approved the Lightbridge Corporation 2015 Equity Incentive Plan (the “Plan”) to authorize grants of (a) Incentive Stock Options, (b) Non-qualified Stock Options, (c) Stock Appreciation Rights, (d) Restricted Awards, (e) Performance Share Awards, and (f) Performance Compensation Awards to the employees, consultants, and directors of the Company. The Plan initially authorized a total of 600,000 shares to be available for grant under the Plan, which amount was increased to 1,400,000 shares in May 2016 and 2,900,000 shares in May 2017. Subsequent to March 31, 2018, the Company’s shareholders approved an increase in the shares available under the Plan to 6,300,000 shares (see Note 10).

Total stock options outstanding at March 31, 2018 and December 31, 2017, under the 2006 Stock Plan and 2015 Equity Incentive Plan were 3,973,550 and 3,976,884 of which 3,551,136 and 2,434,148 of these options were vested at March 31, 2018 and December 31, 2017, respectively. Total stock-based compensation was approximately \$1.3 million and \$0.2 million for the three months ended March 31, 2018 and 2017, respectively.

***Short-Term Incentive Stock Options and Non-Qualified Stock Option Grants***

On August 30, 2017 the Compensation Committee and Board granted 31,425 non-qualified stock options with a strike price of \$1.08 which was the closing price of the Company’s stock on the grant date to a consultant of the company, under the 2015 Equity Incentive Plan. These options have a 10-year contractual term, with a grant date fair market value of approximately \$0.80 per option. These options vest annually straight line over a three-year period.

On October 26, 2017, the Compensation Committee of the Board granted 523,319 short-term incentive stock options and non-qualified stock options under the 2015 Equity Incentive Plan to employees and consultants of the Company. All of these stock options vested immediately, with a strike price of \$1.05, which was the closing price of the Company’s stock on October 26, 2017. These options have a 10-year contractual term, with a fair market value of approximately \$0.73 per option with an expected term of 5 years.

***Long-Term Non-Qualified Option Grants***

On October 26, 2017 the Compensation Committee of the Board granted 1,299,533 long-term non-qualified stock options to employees, consultants and directors of the Company. Out of this total, approximately 1,120,322 stock options were issued to employees and consultants containing both performance-based and market-based vesting provisions. These performance-based and market-based stock options vest only upon the applicable performance conditions or market conditions being satisfied by certain milestone dates, based on either a graded vesting schedule for each performance-based milestone or an accelerated 100% vesting for one performance-based milestone and one market-based milestone, as discussed below. The graded vesting schedule is based on the achievement of performance-based milestones related to the formation of the joint venture with Framatome and the development milestones for the fuel. Accelerated vesting of all these option grants would occur upon achievement of one or both of the following performance-based and market-based milestones:

1. The Company's closing stock price is above \$3 per share by December 31, 2018
2. The Company secures at least a \$2 million investment from a commercial nuclear industry entity other than Framatome by December 31, 2019

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Accelerated vesting occurred on January 25, 2018 when the Company's stock price closed above \$3 per share and therefore met the market-based milestone for 100% vesting of these option grants, as set forth in these stock option agreements.

The remaining approximate 179,211 stock options were issued to the directors of the Company and vest over a one-year period on the anniversary date of the grant. These stock options have a strike price of \$1.05, which was the closing price of the Company's stock on October 26, 2017. All options granted have a 10-year contractual term.

Approximately 0.7 million of such long-term non-qualified stock options were issued contingent upon shareholder approval of an increase in the number of shares available under the 2015 Equity Stock Plan (see Note 7 of the notes to the accompanying condensed consolidated financial statements), with such number of contingent options granted pro-rata among the grantees.

Stock option transactions to the employees, directors and consultants are summarized as follows for the three months ended March 31, 2018:

|                         | <b>Options</b> |    | <b>Weighted<br/>Average<br/>Exercise<br/>Price</b> |    | <b>Weighted<br/>Average<br/>Grant Date<br/>Fair Value</b> |
|-------------------------|----------------|----|--|----|---|
| Beginning of the period | 3,976,884      | \$ | 3.58   | \$ | 2.49  |
| Granted                 | -              |    | -  |    | -   |
| Exercised               | -              |    | -  |    | -   |
| Forfeited               | -              |    | -  |    | -   |
| Expired                 | (3,334)        | \$ | 50.25  | \$ | 30.73   |
| End of the period       | 3,973,550      | \$ | 3.54   | \$ | 2.53  |
| Options exercisable     | 3,551,136      | \$ | 3.60   | \$ | 2.60  |

Stock option transactions to the employees, directors and consultants are summarized as follows for the year ended December 31, 2017:

| <b>Options</b> | <b>Weighted</b> | <b>Weighted</b> |
|----------------|-----------------|-----------------|
|----------------|-----------------|-----------------|

|                       | <b>Outstanding</b> |    | <b>Average</b>  |    | <b>Average</b>    |
|-----------------------|--------------------|----|-----------------|----|-------------------|
|                       |                    |    | <b>Exercise</b> |    | <b>Grant Date</b> |
|                       |                    |    | <b>Price</b>    |    | <b>Fair Value</b> |
| Beginning of the year | 2,172,581          | \$ | 6.70            | \$ | 4.83              |
| Granted               | 1,854,277          |    | 1.05            |    | 0.77              |
| Exercised             | -                  |    | -               |    | -                 |
| Forfeited             | -                  |    | -               |    | -                 |
| Expired               | (49,974)           |    | 45.53           |    | 38.70             |
| End of the year       | 3,976,884          | \$ | 3.58            | \$ | 2.49              |
| Options exercisable   | 2,434,148          | \$ | 4.84            | \$ | 3.36              |



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A summary of the status of the Company's non-vested options as of March 31, 2018 and December 31, 2017, and changes during the year ended December 31, 2017 and the three months ended March 31, 2018, is presented below:

|                                |               | <b>Weighted-<br/>Average Fair<br/>Value</b> |    | <b>Weighted<br/>Average<br/>Exercise Price</b> |
|--------------------------------|---------------|---|----|--|
|                                | <b>Shares</b> | <b>Grant Date</b>                           |    | <b>Exercise Price</b>                          |
| Non-vested – December 31, 2016 | 450,476       | \$ 3.60                                     | \$ | 5.40   |
| Granted                        | 1,854,277     | \$ 0.77                                     | \$ | 1.05   |
| Vested                         | (762,017)     | 1.67  |    | 2.54   |
| Forfeited                      | -             | -   |    | -  |
| Non-vested – December 31, 2017 | 1,542,736     | \$ 1.10                                     | \$ | 1.58   |
| Granted                        | -             | -   |    | -  |
| Vested                         | (1,120,322)   | \$ 1.03                                     | \$ | 1.05   |
| Forfeited                      |               |   |    |  |
| Non-vested – March 31, 2018    | 422,414       | \$ 1.95                                     | \$ | 3.00   |

As of March 31, 2018, there was approximately \$0.4 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the plans. That cost is expected to be recognized over a weighted-average period of 0.73 years. For stock options outstanding at March 31, 2018, the intrinsic value was approximately \$0.2 million. For stock options outstanding at December 31, 2017, the intrinsic value was approximately \$0.3 million. No stock options have been awarded in 2018.

The above tables include options issued and outstanding as of March 31, 2018 and December 31, 2017, as follows:

- i) A total of 71,556 non-qualified 10-year options have been issued, and are outstanding, to advisory board members at exercise prices of \$1.08 to \$42.75 per share.
- ii) A total of 3,213,029 non-qualified 5-10-year options have been issued, and are outstanding, to our directors, officers, and employees at exercise prices of \$1.05 to \$43.25 per share. From this total, 1,070,659 options are outstanding to the Chief Executive Officer who is also a director, with remaining contractual lives of 1.1 years to 9.6 years. All other options issued to directors, officers, and employees have a remaining contractual life ranging from 0.2 years to 9.6 years.
- iii)

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A total of 688,965 non-qualified 3-10-year options have been issued, and are outstanding, to our consultants at exercise prices of \$1.05 to \$43.25 per share.

The following table provides certain information with respect to the above-referenced stock options that are outstanding and exercisable at March 31, 2018:

| Exercise Prices | Stock Options Outstanding                          |                  |                                 | Stock Options Vested                               |                  |                                 |
|-----------------|--|------------------|---------------------------------|--|------------------|---------------------------------|
|                 | Weighted Average Remaining Contractual Life -Years | Number of Awards | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life -Years | Number of Awards | Weighted Average Exercise Price |
| \$1.05-\$2.00   | 9.31   | 2,528,666        | \$ 1.18                         | 9.29   | 2,318,030        | \$ 1.19                         |
| \$2.01-\$6.00   | 7.61   | 821,174          | \$ 4.59                         | 7.61   | 651,429          | \$ 4.58                         |
| \$6.01-\$20.00  | 4.88   | 505,694          | \$ 7.47                         | 4.68   | 463,661          | \$ 7.58                         |
| \$20.00-\$45.00 | 1.41   | 118,016          | \$ 29.85                        | 1.41   | 118,016          | \$ 29.85                        |
| Total           | 8.16   | 3,973,550        | \$ 3.54                         | 8.12   | 3,551,136        | \$ 3.60                         |

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The following table provides certain information with respect to the above-referenced stock options that are outstanding and exercisable at December 31, 2017:

| Exercise Prices | Stock Options Outstanding                          |                  |                                 | Stock Options Vested                               |                  |                                 |
|-----------------|--|------------------|---------------------------------|--|------------------|---------------------------------|
|                 | Weighted Average Remaining Contractual Life -Years | Number of Awards | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life -Years | Number of Awards | Weighted Average Exercise Price |
| \$1.05-\$2.00   | 9.56   | 2,528,666        | \$ 1.18                         | 9.28   | 1,197,708        | \$ 1.33                         |
| \$2.01-\$6.00   | 7.86   | 821,174          | \$ 4.59                         | 7.86   | 651,429          | \$ 4.58                         |
| \$6.01-\$20.00  | 5.12   | 505,694          | \$ 7.47                         | 4.93   | 463,661          | \$ 7.58                         |
| \$20.01-\$45.00 | 1.66   | 118,016          | \$ 29.85                        | 1.66   | 118,016          | \$ 29.85                        |
| \$45.01-\$72.00 | 0.18   | 3,334            | \$ 50.25                        | 0.18   | 3,334            | \$ 50.25                        |
| Total           | 8.40   | 3,976,884        | \$ 3.58                         | 7.70   | 2,434,148        | \$ 4.84                         |

We use the historical volatility of our stock price over the number of years that matches the expected life of our stock option grants. Prior to January 1, 2015, we estimated the life of our option awards based on the full contractual term of the option grant. To date we have had very few exercises of our option grants, and those stock option exercises had occurred just before the contractual expiration dates of the option awards. Since the strike price of most of our outstanding awards is greater than the price of our stock, generally awards have expired at the end of the contractual term. For options granted after January 1, 2015, we have applied the simplified method to estimate the expected term of our option grants as it is more likely that these options may be exercised prior to the end of the term. We estimate the effect of future forfeitures of our option grants based on an analysis of historical forfeitures of unvested grants, as we have no better objective basis for that estimate. The expense that we have recognized related to our grants includes the estimate for future pre-vest forfeitures. We will adjust the actual expense recognized due to future pre-vest forfeitures as they occur.

Weighted average assumptions used in the Black Scholes option-pricing model for the service-based stock options issued for the years ended December 31, 2017, was as follows:

**Year ended  
December  
31,  
2017**

|                                 |       |
|---------------------------------|-------|
| Average risk-free interest rate | 2.15% |
|---------------------------------|-------|

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|                              |        |
|------------------------------|--------|
| Average expected life- years | 5.67   |
| Expected volatility          | 87.24% |
| Expected dividends           | \$ 0.0 |

In accordance with ASC 718, the market-based and performance-based long-term non-qualified option grants awards issued in 2017 were assigned a fair value of \$0.80 per option share (total value of \$0.9 million) on the date of grant using a Monte Carlo simulation. The following assumptions were used in the Monte-Carlo simulation model:

|  |              |
|--|--------------|
| Expected volatility                      | 87.5% to 91% |
|  | 2.24% to     |
| Risk free interest rate                  | 2.42%        |
| Dividend yield rate                      | 0%           |
| Weighted average remaining expected life | 4.2 years    |
| Closing price per share – common stock   | \$ 1.05      |

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Stock-based compensation expense includes the expense related to (1) grants of stock options, (2) grants of restricted stock, (3) stock issued as consideration for some of the services provided by our directors and strategic advisory council members, and (4) stock issued in lieu of cash to pay bonuses to our employees and contractors. Grants of stock options and restricted stock are awarded to our employees, directors, consultants, and board members and we recognize the fair value of these awards ratably as they are earned. The expense related to payments in stock for services is recognized as the services are provided.

Stock-based compensation expense is recorded under the financial statement captions cost of services provided, general and administrative expenses and research and development expenses in the accompanying condensed consolidated statements of operations. Related income tax benefits were not recognized, as we incurred a tax loss for both periods.

**Note 8. Business Segment Results**

We have two principal business segments, which are (1) our technology business and (2) our consulting services business. These business segments were determined based on the nature of the operations and the services offered. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief decision-makers, in deciding how to allocate resources and in assessing performance. Our Chief Executive Officer and Chief Financial Officer have been identified as the chief operating decision makers. Our chief operating decision makers direct the allocation of resources to operating segments based on the profitability, the cash flows, and the business plans of each respective segment.

**BUSINESS SEGMENT RESULTS - THREE MONTHS ENDED MARCH 31, 2018 AND 2017**

|                                   | Consulting |             | Technology     |              | Corporate and<br>Eliminations |                | Total          |                |
|-----------------------------------|------------|-------------|----------------|--------------|-------------------------------|----------------|----------------|----------------|
|                                   | 2018       | 2017        | 2018           | 2017         | 2018                          | 2017           | 2018           | 2017           |
| Revenue                           | \$ -       | \$ 135,485  | \$ -           | \$ -         | \$ -                          | \$ -           | \$ -           | \$ 135,485     |
| Other income                      | \$ -       | \$ -        | \$ 400,343     | \$ -         | \$ -                          | \$ -           | \$ 400,343     | \$ -           |
| Equity in loss from joint venture | \$ -       | \$ -        | \$ (1,028,327) | \$ -         | \$ -                          | \$ -           | \$ (1,028,327) | \$ -           |
| Segment Loss - Pre-Tax            | \$ -       | \$ (68,361) | \$ (1,539,018) | \$ (464,343) | \$ (3,182,469)                | \$ (1,212,604) | \$ (4,721,487) | \$ (1,745,308) |

|                                   |      |           |              |              |               |              |               |              |
|-----------------------------------|------|-----------|--------------|--------------|---------------|--------------|---------------|--------------|
| <b>T o t a l</b>                  |      |           |              |              |               |              |               |              |
| Assets                            | \$ - | \$ 87,614 | \$ 488,685   | \$ 1,203,354 | \$ 27,771,639 | \$ 6,844,988 | \$ 28,260,324 | \$ 8,135,956 |
| Investment<br>in joint<br>venture | \$ - | \$ -      | \$ 4,188,673 | \$ -         | \$ -          | \$ -         | \$ 4,188,673  | \$ -         |

**Note 9. Related Party Transaction**

We provide research and development consulting services to Enfission. The total consulting services was \$400,343 for the period from Enfission's date of inception on January 25, 2018 to March 31, 2018, recorded under the caption other income from joint venture in the statement of operations.

**Note 10. Subsequent Events**

On March 30, 2018 the Company filed a prospectus supplement to register the sale of up to \$50 million of shares of common stock under the New ATM. We have raised an approximate \$1.5 million under this prospectus supplement from April 3, 2018 to the date of this Form 10-Q filing.

On May 4, 2018, the shareholders voted at the annual shareholder meeting to increase the number of common shares that may be issued under the 2015 Equity Incentive Plan from 2.9 million common shares to 6.3 million common shares.

On May 8, 2018 the Board of Directors approved the issuance of 124,882 common shares in payment of accrued dividends of \$342,813 up through March 31, 2018, on the Series A Preferred Stock. The investor converted 111,260 Series A Preferred Shares into the 124,882 common shares issued as payment of the dividend leaving 908,740 Series A Preferred Shares outstanding with a liquidation preference of \$2.8 million at April 30, 2018.

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**FORWARD-LOOKING STATEMENTS**

In addition to historical information, this report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. We use words such as “believe”, “expect”, “anticipate”, “project”, “target”, “plan”, “optimistic”, “intend”, “aim”, and similar expressions which are intended to identify forward-looking statements. Such statements include, among others, (1) those concerning market and business segment growth, demand and acceptance of our nuclear energy consulting services and nuclear fuel technology business, (2) any projections of sales, earnings, revenue, margins or other financial items, (3) any statements of the plans, strategies and objectives of management for future operations and the timing of the development of our nuclear fuel technology, (4) any statements regarding future economic conditions or performance, (5) uncertainties related to conducting business in foreign countries, (6) any statements about future financings and liquidity, as well as (7) all assumptions, expectations, predictions, intentions or beliefs about future events. You are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, as well as assumptions that if they were to ever materialize or prove incorrect, could cause the results of the Company to differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties, among others, include:

- our ability to commercialize our nuclear fuel technology, including risks related to the design and testing of nuclear fuel incorporating our technology,
- the realization of expected benefits from Enfission, LLC, our joint venture with Framatome, Inc., and our future collaboration with Framatome,
- our ability to attract new customers,
- our ability to employ and retain qualified employees and consultants that have experience in the nuclear industry,
- competition and competitive factors in the markets in which we compete,
- public perception of nuclear energy generally,
- general economic and business conditions in the local economies in which we regularly conduct business, which can affect demand for the Company’s services,
- changes in laws, rules and regulations governing our business,
- development and utilization of, and challenges to, our intellectual property,
- potential and contingent liabilities, and
- the risks identified in Item 1A. “Risk Factors” included herein and in our Form 10-K filing.

Most of these factors are beyond our ability to predict or control. Future events and actual results could differ materially from those set forth in, contemplated by or underlying the forward-looking statements. Forward-looking statements speak only as of the date on which they are made. The Company assumes no obligation and does not intend to update these forward-looking statements, except as required by law.





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**ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations, or MD&A, is intended to help the reader understand Lightbridge Corporation, our operations and our present business environment. MD&A is provided as a supplement to, and should be read in conjunction with, our condensed consolidated financial statements and the accompanying notes thereto contained in Part I, “Item 1. Financial Statements” of this report. This overview summarizes the MD&A, which includes the following sections:

- *Overview of Our Business* — a general overview of our two business segments, the material opportunities and challenges of our business;
- *Critical Accounting Policies and Estimates* — a discussion of accounting policies that require critical judgments and estimates;
- *Operations Review* — an analysis of our consolidated results of operations for the periods presented in our consolidated condensed financial statements. Except to the extent that differences among our operating segments are material to an understanding of our business as a whole, we present the discussion in the MD&A on a consolidated basis; and
- *Liquidity, Capital Resources and Financial Position* — an analysis of our cash flows and an overview of our financial position.

As discussed in more detail under “Forward-Looking Statements” immediately preceding this MD&A, the following discussion contains forward-looking statements that involve risks, uncertainties, and assumptions such as statements of our plans, objectives, expectations, and intentions. Our actual results may differ materially from those discussed in these forward-looking statements because of the risks and uncertainties inherent in future events.

**OVERVIEW OF OUR TWO BUSINESS SEGMENTS**

**Overview of Our Business**

When used in this Quarterly Report on Form 10-Q, the terms “Lightbridge”, the “Company”, “we”, “our”, and “us” refer to Lightbridge Corporation together with its wholly-owned subsidiaries Lightbridge International Holding LLC and Thorium Power Inc.

*Company Overview*

Lightbridge is a leading nuclear fuel technology company. Our primary focus is the development and commercialization of next generation nuclear fuel that will significantly improve the economics and safety of existing and new reactors, with a meaningful impact on addressing climate change and air pollution challenges. We believe our nuclear fuel technology has the potential to enhance reactor safety and the proliferation resistance of spent fuel and increase the power output of commercial reactors, reducing the cost of generating electricity and the amount of nuclear waste per unit of electricity generated.

We now conduct our business principally through Enfission, our 50/50 joint venture with Framatome, which was formed on January 24, 2018, for the development, regulatory licensing, fabrication, and sale of nuclear fuel assemblies based on Lightbridge-designed metallic fuel technology and other advanced nuclear fuel intellectual property. Enfission serves as our exclusive vehicle for the development of manufacturing processes and fuel assembly designs for pressurized water reactors and boiling water reactors, which collectively constitute most of the power reactors in the world, as well as water-cooled small modular reactors and water-cooled research reactors. In addition to distributions from Enfission based on our ownership interest in the joint venture, we anticipate receiving future licensing revenues in connection with sales by Enfission of nuclear fuel incorporating our intellectual property. We also opportunistically provide nuclear power consulting and strategic advisory services to commercial and governmental entities worldwide.

We were incorporated under the laws of the State of Nevada on February 2, 1999. Our principal executive offices are located at 11710 Plaza America Drive, Suite 2000, Reston, Virginia 20190 USA.

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***Ownership and Management of Enfission***

Lightbridge owns 50 percent of Enfission's Class A voting membership units and Framatome owns the other 50 percent. Any distributions will be made first allocated to cause the capital accounts of the initial members to be equal, then allocated on a 50/50 basis. Lightbridge and Framatome each provided certain licensed intellectual property to Enfission. Certain additional capital contributions made by Lightbridge and Framatome will partly be in the form of exclusive license rights to intellectual property developed pursuant to a research and development service agreement with Enfission.

Seth Grae, our Chief Executive Officer, also serves as Chief Executive Officer of Enfission. Enfission is managed by a board of directors composed of six directors, half of whom are appointed by Lightbridge and the other half are appointed by Framatome. The chairperson of Enfission's board of directors alternates every year between directors appointed by Lightbridge and directors appointed by Framatome. The Enfission board acts by majority vote, provided that at least one director appointed by each of Lightbridge and Framatome votes in favor of the action. Certain major decisions require the approval of at least two-thirds of the directors, and certain fundamental decisions, including amending the Enfission operating agreement and issuing additional membership units, require the approval of two-thirds of the Class A members.

***Agreements with Enfission and Framatome***

Enfission has entered into several agreements with Lightbridge and Framatome relating to intellectual property, the provision of personnel and administrative support to Enfission, and research and development efforts.

Lightbridge and Framatome have also directly entered into binding agreements forming the foundation for Enfission, including the following agreements in November 2017 which govern joint research and development activities and the treatment of all related existing and future intellectual property:

- **R&D Services Agreement** ("RDSA") — The RDSA defines the terms and conditions for joint research and development activities between Framatome and Lightbridge. Enfission is a party to the RDSA. Key terms and conditions of the RDSA include: (i) designating a 17x17 fuel assembly as the first joint project of the parties and forming a steering committee for the project; (ii) establishing a framework for future work release orders relating to research and development activities of the parties; and (iii) granting rights to the use of background and foreground intellectual property needed to perform research and development activities.

- Co-Ownership Agreement (“COA”) — The COA governs the co-ownership between Framatome and Lightbridge of the foreground information developed by and between Framatome and Lightbridge, with one another and through Enfission. The COA will survive the life of Enfission. The COA is limited to a domain consisting of the metallic fuel developed by Enfission for the following types of commercial light water reactors and research reactors: (i) pressurized water reactors, excluding water-cooled water-moderated energetic reactor (VVER) types, (ii) boiling water reactors, (iii) light water-cooled small and medium size reactors, and (iv) water-cooled research reactors. The domain expressly excludes maritime, naval and military applications.
- Intellectual Property Annex (“IP Annex”) — The IP Annex is a higher-level reference document attached to the Enfission operating agreement and summarizes the parties’ understanding regarding intellectual property matters. The IP Annex will remain in force only during the life of the Enfission.

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In connection with the RDSA, we currently anticipate purchasing via Enfission a minimum amount of research and development services from Framatome of approximately \$10 million to \$12 million, for the period up through December 31, 2018. This amount is likely to increase in 2019.

***Overview of Our Next Generation Nuclear Fuel***

Since the founding of our company, we have been engaged in the design and development of proprietary, innovative nuclear fuels to improve the cost competitiveness, safety, proliferation resistance and performance of nuclear power generation. Since 2010 we have focused on the development of all-metal fuel (i.e., non-oxide fuel) for currently operating as well as new-build reactors. Our focus on metallic fuel is based on listening to the voices of prospective customers, as nuclear utilities have expressed interest in the improved economics and enhanced safety that metallic fuel can provide.

The fuel in a nuclear reactor generates heat energy. That heat is then converted through steam into electricity that is sold. We have designed our innovative, proprietary metallic fuels to be capable of significantly higher burnup and power density compared to conventional oxide fuels. *Burnup* is the total amount of electricity generated per unit mass of nuclear fuel and is a function of the power density of a nuclear fuel and the amount of time the fuel operates in the reactor. *Power density* is the amount of heat power generated per unit volume of nuclear fuel. Conventional oxide fuel used in existing commercial reactors is approaching the limits of its burnup and power density capability. As a result, further optimization to increase power output from the same core size and improve the economics and safety of nuclear power generation using conventional oxide fuel technologies is limited.

As the nuclear industry prepares to meet the increasing global demand for electricity production, longer operating cycles and higher reactor power outputs have become a much sought-after solution for the current and future reactor fleet. We believe our proprietary nuclear fuel designs have the potential to significantly enhance the nuclear power industry's economics by:

- providing an increase in power output of potentially up to 10% while simultaneously extending the operating cycle length from 18 to 24 months in existing pressurized water reactors (PWRs), including in Westinghouse-type four-loop PWR plants which are currently constrained to an 18-month operating cycle by oxide fuel, or increasing the power potentially up to 17% while retaining an 18-month operating cycle;
- enabling increased reactor power output via a power uprate (potentially up to 30% increase) or a longer operating cycle (instead of a power uprate) without changing the core size in new build PWRs; and
- reducing the volume of spent fuel per kilowatt-hour as well as enhancing proliferation resistance of spent fuel.

We believe our fuel designs will allow current and new build nuclear reactors to safely increase power production and reduce operations and maintenance costs on a per kilowatt-hour basis. New build nuclear reactors could also benefit from the reduced upfront capital investment per kilowatt of generating capacity in case of implementing a power uprate. In addition to the projected electricity production cost savings, we believe that our technology can result in utilities or countries needing to deploy fewer new reactors to generate the same amount of electricity (in case of a power uprate), resulting in significant capital cost savings. For utilities or countries that already have operating reactors, our technology could be utilized to increase the power output of those reactors as opposed to building new reactors. Further, we believe that the fuel fabrication or manufacturing process for this new fuel design is simpler, which we expect could lower fuel fabrication costs.

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Due to the significantly lower fuel operating temperature, our metallic nuclear fuel rods are also expected to provide major improvements to safety margins during off-normal events. US Nuclear Regulatory Commission licensing processes require engineering analysis of a large break loss-of-coolant accident (LOCA), as well as many other scenarios. The LOCA scenario assumes failure of a large water pipe in the reactor coolant system. Under LOCA conditions, the fuel and cladding temperatures rise due to reduced cooling capacity. Preliminary analytical modeling shows that under a design-basis LOCA scenario, unlike conventional uranium dioxide fuel, the cladding of the Lightbridge-designed metallic fuel rods would stay at least 200 degrees below the 850-900 degrees Celsius temperature at which steam begins to react with the zirconium cladding to generate hydrogen gas. Buildup of hydrogen gas in a nuclear power plant can lead to the hydrogen exploding. Lightbridge fuel is designed to prevent hydrogen gas generation in design-basis LOCA situations, which is a major safety benefit.

***Anticipated Schedule for Development and Sale of Nuclear Fuel Assemblies***

Set forth below is our anticipated schedule for Enfission's development and sale of nuclear fuel assemblies. Please see Item 1A, *Risk Factors* in our Annual Report on Form 10-K filed on March 14, 2018, for a discussion of certain risks that may delay or impair the commercialization of nuclear fuel assemblies incorporating our nuclear fuel technology. Based on our current expectations, we anticipate that, either directly or through Enfission, we will:

- develop a regulatory licensing plan for lead test assemblies and present it to the US Nuclear Regulatory Commission in 2018;
- enter into a lead test assembly agreement with a host reactor from 2019-2020;
- develop analytical models from 2018-2023 for our metallic fuel technology that can be used for reactor analysis and regulatory licensing;
- perform in-reactor and out-of-reactor experiments from 2020-2023;
- have semi-scale metallic fuel samples fabricated from 2019-2020 for irradiation testing in a test reactor environment under prototypic commercial reactor conditions;
- establish a pilot-scale fuel fabrication facility and demonstrate full-length fabrication of our metallic fuel rods from 2020-2023; and
- begin lead test assembly (LTA) operation in a full-size commercial light water reactor as soon as 2023-2024, which involves testing a limited number of full-scale fuel assemblies in the core of a commercial nuclear power plant over three 18-month cycles.

Accordingly, based on our current expected schedule, a purchase order for an initial reload batch placed by a utility is expected as soon as 2026-2027 (after two 18-month cycles of LTA operation), with final qualification (i.e.,

deployment of fuel in the first reload batch) in a commercial reactor expected as soon as 2028-2029. We intend to seek development funding contributions or other financing arrangements with utilities several years in advance of LTA demonstration.



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Our current plan is to begin irradiation of metallic fuel samples in the Halden research reactor in 2020-2021. The Halden research reactor is operated by the Institute for Energy Technology (IFE) in Norway. The current operating license of the Halden research reactor is valid through the end of 2020. In June 2018, IFE's Board of Directors is expected to decide whether to seek renewal of the Halden reactor operating license beyond 2020. IFE has informed us that, based on past experience, an operating license for Halden is typically renewed for an additional 6 years.

On April 6, 2018, IFE issued a press release disclosing a discovery of a malfunctioning valve during a planned maintenance outage of the Halden reactor. The malfunctioning valve has delayed the planned April 9, 2018 restart of the Halden reactor. As long as IFE's Board of Directors makes a decision in June to seek an operating license renewal beyond 2020 and IFE is able to address the malfunctioning valve issue and restart the Halden reactor within a reasonable time, we expect IFE to be successful in obtaining a license renewal from the Norwegian nuclear regulator. In that case, we do not anticipate any material adverse impact on our current planned schedule of fuel sample irradiation testing at Halden. However, if IFE's Board of Directors decides not to seek an operating license renewal for Halden, the Company will have to find a suitable alternative to generate the irradiation data we need to support regulatory licensing of our lead test assembly operation in a commercial reactor. Unavailability of the Halden reactor could have a significant adverse impact on the start of our lead test assembly operation and, as a consequence, commercial deployment of our nuclear fuel assemblies. To mitigate this risk, the Company has begun evaluating alternatives for a back-up reactor facility, including the Advanced Test Reactor at Idaho National Laboratory or designing a segmented lead test rod for irradiation in an operating U.S. commercial reactor to allow generation of the irradiation data at the required burn-up level to support a subsequent lead test assembly operation in a commercial U.S. reactor.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make a variety of estimates and assumptions that affect (i) the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and (ii) the reported amounts of revenues and expenses during the reporting periods covered by the financial statements. For a discussion of the accounting judgments and estimates that we have identified as critical in the preparation of our financial statements, please see "Critical Accounting Policies and Estimates" under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K filed on March 14, 2018, incorporated herein by reference. There have been no significant changes in our critical accounting policies and estimates during the three months ended March 31, 2018.

Our management expects to make judgments and estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the future resolution of the uncertainties increase, these judgments become even more subjective and complex. Although we believe that our estimates and assumptions are reasonable, actual results may differ significantly from these estimates. Changes in estimates and assumptions based upon actual results may have a material impact on our results of operations and/or financial condition.

*Recent Accounting Standards and Pronouncements*

Refer to Note 1 of the Notes to our condensed consolidated financial statements for a discussion of recent accounting standards and pronouncements.

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Our business operations can be categorized in two segments:

- (1) Our nuclear fuel technology business segment - we develop next generation nuclear fuel technology through Enfission that has the potential to significantly increase the power output of commercial reactors, reducing the cost of generating electricity and the amount of nuclear waste on a per-megawatt-hour basis and enhancing reactor safety and the proliferation resistance of spent fuel. Our main focus is on our nuclear fuel technology business segment.
- (2) Our nuclear energy consulting business segment - we provide nuclear power consulting and strategic advisory services to commercial and governmental entities worldwide. Our nuclear consulting business operations are intended to help defray a portion of the costs relating to the development of our nuclear fuel technology.

Financial information about our business segments is included in Note 8 - Business Segment Results, of the Notes to the Condensed Consolidated Financial Statements, included in Part I Item 1, Financial Statements of this Quarterly Report on Form 10-Q.

We have provided a discussion of our results of operations on a condensed consolidated basis and have also provided certain detailed segment information for each of our business segments below for the three months ended March 31, 2018 and 2017, in order to provide a meaningful discussion of our business segments. We have organized our operations into two principal segments: Consulting and Technology Business segments. We present our segment information along the same lines that our chief executives review our operating results in assessing performance and allocating resources.

**BUSINESS SEGMENT RESULTS - THREE MONTHS ENDED MARCH 31, 2018 AND 2017**

|         | <b>Consulting</b> |             | <b>Technology</b> |             | <b>Corporate and<br/>Eliminations</b> |             | <b>Total</b> |             |
|---------|-------------------|-------------|-------------------|-------------|---------------------------------------|-------------|--------------|-------------|
|         | <b>2018</b>       | <b>2017</b> | <b>2018</b>       | <b>2017</b> | <b>2018</b>                           | <b>2017</b> | <b>2018</b>  | <b>2017</b> |
| Revenue | \$ -              | \$ 135,485  | \$ -              | \$ -        | \$ -                                  | \$ -        | \$ -         | \$ 135,485  |

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|                                   |      |             |                |              |                |                |                |                |
|-----------------------------------|------|-------------|----------------|--------------|----------------|----------------|----------------|----------------|
| Other income                      | \$ - | \$ -        | \$ 400,343     | \$ -         | \$ -           | \$ -           | \$ 400,343     | \$ -           |
| Equity in loss from joint venture | \$ - | \$ -        | \$ (1,028,327) | \$ -         | \$ -           | \$ -           | \$ (1,028,327) | \$ -           |
| Segment Loss - Pre-Tax            | \$ - | \$ (68,361) | \$ (1,539,018) | \$ (464,343) | \$ (3,182,469) | \$ (1,212,604) | \$ (4,721,487) | \$ (1,745,308) |
| Total Assets                      | \$ - | \$ 87,614   | \$ 488,685     | \$ 1,203,354 | \$ 27,771,639  | \$ 6,844,988   | \$ 28,260,324  | \$ 8,135,956   |
| Investment in joint venture       | \$ - | \$ -        | \$ 4,188,673   | \$ -         | \$ -           | \$ -           | \$ 4,188,673   | \$ -           |

**Technology Business**

Over the next 12 to 15 months, we expect to incur approximately \$10 million to \$12 million in research and development expenses related to the development of our proprietary nuclear fuel designs, including funding our joint venture Enfission. We spent approximately \$0.9 million and \$0.5 million for research and development for the three months ended March 31, 2018 and 2017, respectively.

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Over the next 2-3 years, we expect that our research and development activities will increase and will be primarily focused on testing and demonstration of our metallic fuel technology for Western-type water-cooled reactors. The main objective of this research and development phase is to prepare for full-scale demonstration of our fuel technology in an operating commercial power reactor.

See Note 3 - Investment in Joint Venture of the notes to our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for information regarding our investment in Enfission.

**Consulting Services Business**

At the present time, all of our revenue has been from our consulting services business segment. The fee type and structure that we offer for each client engagement is dependent on a number of variables, including the complexity of the services, the level of the opportunity for us to improve the client's electricity generation capabilities using nuclear power plants, and other factors. We did not have any revenue from our consulting services business segment during the three months ended March 31, 2018, and we currently do not expect to have significant revenue in the future.

**Condensed Consolidated Results of Operations – Three Months Ended March 31, 2018 and 2017**

The following table presents our historical operating results and the increase (decrease) in amounts for the periods indicated:

|                                   | Three Months Ended<br>March 31, |              | Increase<br>(Decrease)<br>Change \$ | Increase<br>(Decrease)<br>Change % |
|-----------------------------------|---------------------------------|--------------|-------------------------------------|------------------------------------|
|                                   | 2018                            | 2017         |                                     |                                    |
| <b>Consulting Revenues</b>        | \$ -                            | \$ 135,485   | \$ (135,485)                        | (100%)                             |
| <b>Cost of services provided</b>  |                                 |              |                                     |                                    |
| Consulting expenses               | \$ -                            | \$ 85,363    | \$ (85,363)                         | (100%)                             |
| <b>Gross profit</b>               | \$ -                            | \$ 50,122    | \$ (50,122)                         | (100%)                             |
| <b>Operating Expenses</b>         |                                 |              |                                     |                                    |
| General and administrative        | \$ 2,223,590                    | \$ 1,208,303 | \$ 1,015,287                        | 84%                                |
| Research and development expenses | \$ 911,034                      | \$ 464,343   | \$ 446,691                          | 96%                                |

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|  |    |             |    |             |    |             |      |
|--|----|-------------|----|-------------|----|-------------|------|
| Total Costs and Expenses                     | \$ | 3,134,624   | \$ | 1,672,646   | \$ | 1,461,978   | 87%  |
| <b>Other Operating Income and (Expenses)</b> |    |             |    |             |    |             |      |
| Other income from joint venture              | \$ | 400,343     | \$ | -           | \$ | 400,343     | -    |
| Equity in loss from joint venture            | \$ | (1,028,327) | \$ |             | \$ | (1,028,327) | -    |
| <b>Total Other Operating (Expenses)</b>      | \$ | (627,984)   | \$ | -           |    | (627,984)   | -    |
| <b>Total Operating Loss</b>                  | \$ | (3,762,608) | \$ | (1,622,524) | \$ | 2,140,084   | 132% |
| <b>Other Income and (Expenses)</b>           | \$ | (958,879)   | \$ | (122,784)   | \$ | 836,095     | 681% |
| <b>Net loss - before income taxes</b>        | \$ | (4,721,487) | \$ | (1,745,308) | \$ | 2,976,179   | 171% |
| <b>Net loss</b>                              | \$ | (4,721,487) | \$ | (1,745,308) | \$ | 2,976,179   | 171% |

Table of Contents**Revenue**

The following table presents our revenues, by business segment, for the three months presented (rounded in millions):

|                              | <b>Three Months Ended</b> |               |
|------------------------------|---------------------------|---------------|
|                              | <b>March 31,</b>          |               |
|                              | <b>2018</b>               | <b>2017</b>   |
| Consulting Segment Revenues: |                           |               |
| ENEC and FANR (UAE)          | \$ -                      | \$ 0.0        |
| Other                        | -                         | 0.1           |
| <b>Total</b>                 | <b>-</b>                  | <b>0.1</b>    |
| Technology Segment Revenues  | -                         | 0.0           |
| <b>Total Revenues</b>        | <b>\$ -</b>               | <b>\$ 0.1</b> |

The market for nuclear industry consulting services is competitive, fragmented, and subject to rapid change. Our main business always has been developing our nuclear fuel and we may continue to provide some consulting services in the future, but we have further increased the focus and resources of the Company to the fuel division and away from consulting. There was no revenue for the three months ended March 31, 2018 and currently we do not expect to have significant revenue in the future.

**Costs and Expenses**

The following table presents our cost of services provided, by business segment, for the periods presented (rounded in millions):

|              | <b>Three Months Ended</b> |               |
|--------------|---------------------------|---------------|
|              | <b>March 31,</b>          |               |
|              | <b>2018</b>               | <b>2017</b>   |
| Consulting   | \$ -                      | \$ 0.1        |
| Technology   | -                         | 0.0           |
| <b>Total</b> | <b>\$ -</b>               | <b>\$ 0.1</b> |

**Cost of Services Provided**

The cost of services provided for the three months ended March 31, 2018, versus the three months ended March 31, 2017, decreased due to there being no consulting revenue for the current period.

### General and Administrative Expenses

The following table presents our general and administrative expenses, (rounded in millions):

|                                     | <b>Three Months Ended</b> |             |
|-------------------------------------|---------------------------|-------------|
|                                     | <b>March 31,</b>          |             |
|                                     | <b>2018</b>               | <b>2017</b> |
| General and administrative expenses | \$ 2.2                    | \$ 1.2      |

General and administrative expenses consist mostly of compensation and related costs for personnel and facilities, stock-based compensation, finance, human resources, information technology, and fees for consulting and other professional services. Professional services are principally comprised of outside legal, audit, strategic advisory services and outsourcing services.



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Total general and administrative expenses increased by \$1.0 million for the three-month period ended March 31, 2018, as compared to the three months ended March 31, 2017. The increase was due to an increase in professional fees of approximately \$0.4 million, due to the increased legal work in forming the Enfission joint venture and an increase in stock-based compensation of approximately \$0.6 million, due to the immediate vesting of the long-term incentive stock options granted in 2017. Total stock-based compensation included in general and administrative expenses was approximately \$0.8 million and \$0.1 million for the three months ended March 31, 2018 and 2017, respectively.

See Note 7 - Stockholders' Equity of the notes to our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for information regarding our stock-based compensation.

**Research and Development**

The following table presents our research and development expenses, (rounded in millions):

|                                   | <b>Three Months Ended</b> |             |
|-----------------------------------|---------------------------|-------------|
|                                   | <b>March 31,</b>          |             |
|                                   | <b>2018</b>               | <b>2017</b> |
| Research and development expenses | \$ 0.9                    | \$ 0.5      |

Research and development expenses consist mostly of compensation and related overhead costs for personnel responsible for the research and development of our fuel, including work performed for our Enfission joint venture. Total research and development expenses increased by \$0.4 million for the three-month period ended March 31, 2018, as compared to the three months ended March 31, 2017. The increase was due to cost of employees and consultants providing services to Enfission of approximately \$0.2 million and an increase in stock-based compensation of approximately \$0.2 million. Total stock-based compensation included in research and development expenses was approximately \$0.4 million and \$0.1 million for the three months ended March 31, 2018 and 2017, respectively. The increase in stock-based compensation was due to the immediate vesting of the long-term incentive stock options.

All of our reported research and development activities were conducted in the United States, Canada, Norway, and Russia. We expense research and development costs as they are incurred. Research and development expenses may increase in dollar amount and may increase as a percentage of revenues in future periods because we expect to invest \$10 million to \$12 million in the development of our nuclear fuel products over the next 12-15 months.

See Note 6 - Research and Development expense of the Notes to our condensed consolidated financial statements included in Part I Item 1 of this Quarterly Report Form on 10-Q for additional information about our research and development costs.

Table of Contents***Other Operating Income – Related Party***

The following table presents our other operating income, (rounded in millions):

|                                   | <b>Three Months Ended</b> |       | <b>March 31,</b> |   |
|-----------------------------------|---------------------------|-------|------------------|---|
|                                   | <b>2018</b>               |       | <b>2017</b>      |   |
| Other income from joint venture   | \$                        | 0.4   | \$               | - |
| Equity in loss from joint venture |                           | (1.0) |                  | - |
|                                   | \$                        | (0.6) | \$               | - |

Reported in other operating income is other income for activities performed by our employees and consultants for the Enfission joint venture. Total other income from these activities was approximately \$0.4 million for the three months ended March 31, 2018. Approximately 80% of the total Enfission cash inflow or capital contributions into Enfission are funded by Lightbridge and the remaining 20% will be funded as capital contributions into Enfission from Framatome. Equity in loss of joint venture consists of our share of the allocated loss in Enfission, which was allocated in accordance with the joint venture operating agreement, for the three months ended March 31, 2018.

***Other Income (Expenses)***

There was increase in net other income of approximately \$0.8 million. This increase was due to an increase in financing cost expense of approximately \$0.8 million. The increase in financing costs was due to the write-off of the deferred financing costs asset recorded for the Aspire option agreement (see Note 7 of the notes to the accompanying condensed consolidated financial statements).

Interest income and other income and expenses, for the three months ended March 31, 2018 as compared to the three months ended March 31, 2017, were substantially the same amounts.

***Provision for Income Taxes***

The following table presents our provision for income taxes. Our effective tax rate for the periods presented is 38% and 25% for the three months period ended March 31, 2018 and 2017, respectively.

|                            | <b>Three Months Ended</b> |             |
|----------------------------|---------------------------|-------------|
|                            | <b>March 31,</b>          |             |
|                            | <b>2018</b>               | <b>2017</b> |
| Provision for income taxes | \$ 0.0                    | \$ 0.0      |

We incurred a pre-tax net loss for both 2018 and 2017. We reviewed all sources of income for purposes of recognizing the deferred tax assets and concluded a full valuation allowance for 2018 and 2017 was necessary. Therefore, we did not have a provision for taxes for both the three months ended March 31, 2018 and 2017.

***Net loss***

We incurred net losses of \$4.7 million and \$1.7 million for the three months ended March 31, 2018 and 2017, respectively because of the above-mentioned factors.

**Liquidity, Capital Resources and Financial Position**

At March 31, 2018, we had cash and cash equivalents of approximately \$22 million, as compared to approximately \$4.5 million at December 31, 2017. The \$17.5 million increase in cash and cash equivalents resulted from the sale of approximately \$20.6 million of common stock and \$4 million of preferred stock during the three months ended March 31, 2018. See Note 7 - Stockholders' Equity of the notes to our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for information regarding our equity transactions. This amount of cash inflow was partially offset by net cash used in operating activities of approximately \$1.9 million and cash used in investing activities of approximately \$5.3 million, consisting of our investment in Enfission of approximately \$5.2 million. We used cash during the three months ended March 31, 2018 primarily to fund our research and development expenses and general and administrative expenses. We did not have any consulting revenue for the three months ended March 31, 2018 and presently do not expect to have significant consulting revenue for the next 12 months.

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We currently project a cash flow shortfall averaging approximately \$0.5 million to \$0.6 million per month over the course of the next 12 months for our general and administrative expenses and we anticipate having capital requirements of approximately \$10 million to \$12 million over this same period for research and development expenses through our joint venture Enfission. Presently we fund the majority of total cash that is required for the research and development activities to be conducted in Enfission. These additional capital needs relate to the development, manufacture and commercialization of our nuclear fuel assemblies. We have the ability to delay incurring certain operating expenses in the next 12 months, which could reduce our cash flow shortfall, if needed.

The current primary future potential sources of cash available to us in 2018 are equity investments through our New ATM agreement, potential funding from other equity investors and potential funding from the Department of Energy, in which we intend to apply for later this year. We anticipate that our financing through the New ATM agreement in 2018 and other third parties will help us meet the U.S. Department of Energy's (DOE) minimum cost-sharing requirements that typically range from 20% to 50% of the total project cost (i.e., a 25% to 100% match in Company's cost-sharing contributions is required for each dollar of DOE funding) or even higher in some cases. This may enable us to apply for DOE funding that can be used toward development and/or regulatory licensing of our nuclear fuel, to offset the current cash requirements for Enfission. We have no debt or debt credit lines and we have financed our operations to date through our prior years' consulting revenue and the sale of our common stock. Management believes that the funding amount from the New ATM agreement will be available as needed by the Company and that adverse market conditions in the Company's common stock price and trading volume will not substantially impair the Company's ability to raise capital through the New ATM, if needed in the future.

**Short-Term and Long-Term Liquidity Sources**

In addition to the New ATM financing and other potential funding discussed above, we may seek new financing or additional sources of capital, depending on the capital market conditions, over the next 12 months. There can be no assurance that some of these additional sources of capital will be made available to us. The primary potential sources of cash available to us are as follows:

1. Equity investment from investors; and
2. Strategic investment or cost-sharing contributions through funding from the Department of Energy, and/or other strategic parties, to support the remaining research and development activities required to further enhance and complete the development of our fuel products to a commercial stage.

In support of our long-term business plan with respect to our fuel technology business, we endeavor to create strategic alliances with other strategic parties during the next three years, to support the remaining research and development activities through Enfission, that is required to further enhance and complete the development of our fuel products to a commercial stage. We may be unable to form such strategic alliances on terms acceptable to us or at all.

We anticipate that we will need to raise additional capital, which may involve offerings of equity or debt securities, securing financing through one or more banks, entering into strategic alliances with other parties, and seeking potential funding from the Department of Energy, that we anticipate applying for later this year.

See Note 7 of the Notes to our condensed consolidated financial statements included in Part I Item 1 of this Quarterly Report on Form 10-Q for information regarding our New ATM financing.

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**Off Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements as defined in Item 303(a)(4) of Regulation S-K.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

**Not Required.**

**ITEM 4. CONTROLS AND PROCEDURES.**

*Evaluation of Disclosure Controls and Procedures*

Our management, including our principal executive officer and principal financial officer, evaluated the disclosure controls and procedures related to the recording, processing, summarization and reporting of information in the periodic reports that we file with the SEC. These disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is (a) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and (b) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of March 31, 2018.

*Changes in Internal Controls Over Financial Reporting*

There were no changes in our internal control over financial reporting during the period covered by this report that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

*Limitations on Effectiveness of Controls and Procedures*

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.



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**PART II—OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. The Company is not involved in any material legal proceedings.

**ITEM 1A. RISK FACTORS**

The following should be read in conjunction with, and supplements and amends, the risk factors discussed in Part I, Item 1A of the Company's Form 10-K for the year ended December 31, 2017. Other than as described in this Item 1A, there have been no material changes to our risk factors from the risk factors previously disclosed in the 2017 Annual Report.

***Development of our nuclear fuel technology is dependent upon the availability of a test reactor.***

Our fuel designs are still in the research and development stage and further testing and experiments will be required in test facilities. We currently intend to conduct further testing of our fuel designs at the Halden research reactor located in Halden, Norway. However, the Halden research reactor, which became operative in 1958, may close and may not be available for further testing of our fuel designs. On April 6, 2018, the Institute for Energy Technology (IFE), which operates the Halden research reactor, issued a press release disclosing a discovery of a malfunctioning valve during a planned maintenance outage of the Halden reactor. The malfunctioning valve has delayed the planned April 9, 2018 restart of the Halden reactor, and there can be no assurance that the reactor will restart on a timely basis or at all. In addition, the current operating license of the Halden research reactor is only valid through the end of 2020, and IFE's Board of Directors is expected to decide whether to seek renewal of the Halden in June 2018. If IFE's Board of Directors decides not to seek an operating license renewal for Halden, the Company will have to find a suitable alternative to generate the irradiation data we need to support regulatory licensing of our lead test assembly operation in a commercial reactor.

If the Halden research reactor is not available to test our fuel designs, we may not be able to locate another reactor in which to test our fuel designs, and commercialization of our nuclear fuel technology may be delayed, perhaps

indefinitely, which would adversely affect our business, financial condition and results of operations.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES OR USE OF PROCEEDS**

On January 30, 2018, the Company issued warrants to purchase 133,432 shares of common stock to an investment bank in connection with services provided in connection with the Company's sale of Series B preferred stock on January 30, 2018. The issuance of the warrants and underlying common stock was exempt from registration under the Securities Act of 1933, as amended, pursuant to the exemption for transactions by an issuer not involving any public offering under Section 4(a)(2) of the Securities Act.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not Applicable

**ITEM 4. MINE SAFETY DISCLOSURES**

Not Applicable

**ITEM 5. OTHER INFORMATION**

None

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**ITEM 6. EXHIBITS**

**EXHIBIT INDEX –**

**Exhibit**

**Number Description**

|             |  |
|-------------|--|
| <u>1.1</u>  | <u>At-the-Market Issuance Sales Agreement, dated March 30, 2018, between the Company and B. Riley FBR, Inc. (incorporated by reference to Exhibit 1.1 to the Form 8-K filed by the Company on March 30, 2018).</u> |
| <u>31.1</u> | <u>Rule 13a-14(a)/15d-14(a) Certification - Principal Executive Officer</u>  |
| <u>31.2</u> | <u>Rule 13a-14(a)/15d-14(a) Certification - Principal Financial Accounting Officer</u>   |
| <u>32</u>   | <u>Section 1350 Certifications</u>   |
| 101.INS     | XBRL Instance Document   |
| 101.SCH     | XBRL Taxonomy Extension Schema Document  |
| 101.CAL     | XBRL Taxonomy Extension Calculation Linkbase Document  |
| 101.DEF     | XBRL Taxonomy Extension Definition Linkbase Document   |
| 101.LAB     | XBRL Taxonomy Extension Label Linkbase Document  |
| 101.PRE     | XBRL Taxonomy Extension Presentation Linkbase Document   |

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 9, 2018

**LIGHTBRIDGE CORPORATION**

By: */s/ Seth Grae*

Name: Seth Grae

Title: President, Chief Executive Officer  
and

Director

(Principal Executive Officer)

By: */s/ Linda Zwobota*

Name: Linda Zwobota

Title: Chief Financial Officer

(Principal Financial Officer and Principal  
Accounting Officer)