

LIGHTBRIDGE Corp  
Form 10-Q/A  
November 23, 2015

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

**FORM 10-Q/A**  
**(Amendment No. 1)**

(Mark One)

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

For the quarterly period ended: **June 30, 2015**

☐ 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.)*

**1600 Tysons Boulevard, Suite 550**  
**Mclean, VA 22102**  
*(Address of principal executive offices, Zip Code)*

**(571) 730-1200**  
*(Registrant's telephone number, including area code)*

\_\_\_\_\_  
*(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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if

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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 ☒ No ☐

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

Large Accelerated Filer ☐

Accelerated Filer ☐

Non-Accelerated Filer ☐

Smaller reporting company ☒

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

The number of shares outstanding of each of the issuer's classes of common equity, as of October 31, 2015 is as follows:

| <u>Class of Securities</u>      | <u>Shares Outstanding</u> |
|---------------------------------|---------------------------|
| Common Stock, \$0.001 par value | 18,623,387                |

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**LIGHTBRIDGE CORPORATION**  
**Form 10-Q/A**  
**For the Quarterly Period Ended June 30, 2015**

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**PART I FINANCIAL INFORMATION****Explanatory Note**

In this Quarterly Report on Form 10-Q/A (Amendment No.1) for the quarter ended June 30, 2015 ( Quarterly Report ), as originally filed with the Securities and Exchange Commission (the SEC ) on August 14, 2015 (the Original Report ), Lightbridge Corporation ( Lightbridge, the Company, we or us ) is restating its previously issued condensed consolidated financial statements and the related disclosures for the three months and six months ended June 30, 2015 and June 30, 2014 (collectively, the Restated Periods ). As discussed in further detail below and in Note 2 to the accompanying condensed consolidated financial statements, the restatement is the result of a misapplication in the guidance on accounting for warrants. We assessed the impact of this misapplication on our prior interim and annual financial statements and concluded that the combined impact was material to these financial statements. Consequently, we have restated the prior period financial statements identified above. Concurrently with the filing of this Form 10-Q/A, the Company is also filing Amendment No. 1 on Form 10-Q/A to the Company's Quarterly on Form 10-Q for the quarterly period ended March 31, 2015, as originally filed with the SEC on May 7, 2015. All amounts in this Quarterly Report affected by the restatement adjustments reflect such amounts as restated.

For a more detailed explanation of these matters and resulting restatements, please see Part I, Item 1: Financial Statements Note 2 and Note 8 to the Condensed Consolidated Financial Statements and Part I, Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operation Restatement of Previously Issued Condensed Consolidated Financial Statements.

**Background of Restatement**

On September 4, 2015, management sent a letter to the Office of the Chief Accountant of the SEC concerning the appropriate accounting treatment for its outstanding warrants. After discussions with the SEC staff, management determined that the warrants should have been initially classified as derivative liabilities. On November 4, 2015, the Audit Committee of the Company's Board of Directors (the Audit Committee ), in connection with the internal review initiated by Company management, concluded that, because of a misapplication of the accounting guidance related to the Company's warrants, the Company's previously issued consolidated financial statements for all periods beginning with the quarterly period ended September 30, 2010 through June 30, 2015 (collectively, the Affected Periods ) should no longer be relied upon. As such, the Company is restating in this Quarterly Report its financial statements for the three and six months periods ended June 30, 2015 and 2014. These restatements result in non-cash, non-operating financial statement corrections and will have no impact on the Company's current or previously reported cash position, operating expenses or total operating, investing or financing cash flows, or net operating loss carryforward. The Company's December 31, 2014 opening balances were adjusted to reflect the cumulative impact of these restatements as a decrease in additional paid-in capital of \$10.4 million and a decrease in accumulated deficit of \$5.8 million, for a total change to stockholders' equity of \$4.6 million.

The warrants at issue (collectively, the Warrants ) consist of the following warrants outstanding as of June 30, 2015 and December 31, 2014:

|                                                                                                                                                                                                      |           |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Issued to Investors on July 28, 2010, entitling the holders to purchase 1,034,996 common shares in the Company at an exercise price of \$9.00 per common share up to and including July 27, 2017     | 1,034,996 |
| Issued to Investors on October 25, 2013, entitling the holders to purchase 1,250,000 common shares in the Company at an exercise price of \$2.30 per common share up to and including April 24, 2021 | 1,117,178 |
| Issued to Investors on November 17, 2014, entitling the holders to purchase 2,734,590 common shares in the Company at an exercise price of \$2.31 per common share up to and including May 16, 2022  | 2,734,590 |

|       |           |
|-------|-----------|
| Total | 4,886,764 |
|-------|-----------|

The Warrants were classified as equity on the Company's consolidated balance sheets, and the corresponding consolidated statements of operations did not include the non-cash changes in the estimated fair value of such warrants. The Warrants, however, contain a cash settlement feature regarding fundamental transactions that allow the warrant holders to have a different settlement option than the Company's stockholders upon certain fundamental transactions, including certain changes of control of the Company, thereby precluding equity treatment for the Warrants.

Based on Accounting Standards Codification 815, *Derivatives and Hedging* (ASC 815), warrant instruments that could potentially require net cash settlement in the absence of express language precluding such settlement should be initially classified as derivative liabilities at their estimated fair values, regardless of the likelihood that such instruments will ever be settled in cash. In periods subsequent to issuance, changes in the estimated fair value of the derivative instruments should be reported in the statement of operations. The Audit Committee, together with management, determined that the financial statements in the Restated Periods should be restated to reflect the Warrants as liabilities, with subsequent changes in their estimated fair value recorded as non-cash income or expense in each Restated Period.

The cumulative effect of these adjustments on our financial statements is a 9.6% decrease in the accumulated deficit in the amount of approximately \$7.5 million as of June 30, 2015 and a 7.7% decrease in the accumulated deficit in the amount of approximately \$5.8 million as of December 31, 2014. The restatement had no impact on net cash flows from operating, investing or financing activities as the adjustments resulting from the non-cash change in the fair value of the warrant liability for each period and the statements of operations only impacted net loss from operations. An explanation of the impact on our financial statements is contained in Note 2 to the condensed consolidated financial statements contained in Part I, Item 1: Financial Statements.

### Items Amended in this Quarterly Report on Form 10-Q/A

For the convenience of the reader, this Form 10-Q/A sets forth the Original Report in its entirety; however, this Form 10-Q/A amends and restates only the following items of the Original Report (other than internal cross-references and the like, which are updated throughout the document):

- Part I, Item 1, Financial Statements;
- Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations;
- Part I, Item 4, Controls and Procedures; and
- Part II, Item 1A, Risk Factors;

In order to preserve the nature and character of the disclosures set forth in the Original Report, this Form 10-Q/A speaks as of the date of the filing of the Original Report, August 14, 2015, and the disclosures contained in this Form 10-Q/A have not been updated to reflect events occurring subsequent to that date, other than those associated with the restatement. Currently dated certifications from the Company's Chief Executive Officer and Chief Financial Officer are attached to this Form 10-Q/A as Exhibits 31.1, 31.2 and 32.1. This Form 10-Q/A should be read in conjunction with the Original Report and the Company's other filings with the SEC.

### Internal Control Considerations

Management has assessed the effect of the restatement on the Company's internal control over financial reporting and believes that this restatement represents a material weakness in its internal control over financial reporting for all periods under restatement. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim consolidated financial statements will not be prevented or detected on a timely basis. For a discussion of management's consideration of the material weakness identified, see Part I, Item 4: Controls and Procedures included in this Quarterly Report.

The line items that have been amended and restated, including the corrections to the comparative periods of 2014, are set forth below:

| Three Months Ended June 30, 2015                  |                           |    |            |             |
|---------------------------------------------------|---------------------------|----|------------|-------------|
|                                                   | As Previously<br>Reported |    | Adjustment | As Restated |
| <b>Consolidated Statement of Operations Data:</b> |                           |    |            |             |
| Warrant revaluation                               | \$ -                      | \$ | 460,265    | \$ 460,265  |
| Loss from operations before income taxes          | (1,481,621)               |    | 460,265    | (1,021,356) |
| Net loss                                          | (1,481,621)               |    | 460,265    | (1,021,356) |
| Net loss per share, basic and diluted             | \$ (0.08)                 | \$ | 0.02       | \$ (0.06)   |

| Three Months Ended June 30, 2014 |                           |  |             |
|----------------------------------|---------------------------|--|-------------|
|                                  | As Previously<br>Reported |  | Adjustment  |
|                                  |                           |  | As Restated |

**Consolidated Statement of Operations Data:**

|                                          |    |             |    |          |    |             |
|------------------------------------------|----|-------------|----|----------|----|-------------|
| Warrant revaluation                      | \$ | -           | \$ | (96,029) | \$ | (96,029)    |
| Loss from operations before income taxes |    | (1,655,108) |    | (96,029) |    | (1,751,137) |
| Net loss                                 |    | (1,655,108) |    | (96,029) |    | (1,751,137) |
| Net loss per share, basic and diluted    | \$ | (0.11)      | \$ | (0.01)   | \$ | (0.12)      |

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### Six Months Ended June 30, 2015

|                                                   | As Previously<br>Reported | Adjustment   | As Restated  |
|---------------------------------------------------|---------------------------|--------------|--------------|
| <b>Consolidated Statement of Operations Data:</b> |                           |              |              |
| Warrant revaluation                               | \$ -                      | \$ 1,658,251 | \$ 1,658,251 |
| Income (Loss) from operations before income taxes | (2,560,593)               | 1,658,251    | (902,342)    |
| Net income (loss)                                 | (2,560,593)               | 1,658,251    | (902,342)    |
| Net income (loss) per share, basic and diluted    | \$ (0.14)                 | \$ 0.09      | \$ (0.05)    |

### Six Months Ended June 30, 2014

|                                                   | As Previously<br>Reported | Adjustment     | As Restated    |
|---------------------------------------------------|---------------------------|----------------|----------------|
| <b>Consolidated Statement of Operations Data:</b> |                           |                |                |
| Warrant revaluation                               | \$ -                      | \$ (2,070,359) | \$ (2,070,359) |
| Loss from operations before income taxes          | (3,089,030)               | (2,070,359)    | (5,159,389)    |
| Net loss                                          | (3,089,030)               | (2,070,359)    | (5,159,389)    |
| Net loss per share, basic and diluted             | \$ (0.21)                 | \$ (0.13)      | \$ (0.34)      |

### Six Months Ended June 30, 2015

|                                      | As Previously<br>Reported | Adjustment     | As Restated    |
|--------------------------------------|---------------------------|----------------|----------------|
| <b>Consolidated Cash Flows Data:</b> |                           |                |                |
| Net loss                             | \$ (2,560,593)            | \$ 1,658,251   | \$ (902,342)   |
| Warrant revaluation                  | \$ -                      | \$ (1,658,251) | \$ (1,658,251) |

### Six Months Ended June 30, 2014

|                                      | As Previously<br>Reported | Adjustment     | As Restated    |
|--------------------------------------|---------------------------|----------------|----------------|
| <b>Consolidated Cash Flows Data:</b> |                           |                |                |
| Net loss                             | \$ (3,089,030)            | \$ (2,070,359) | \$ (5,159,389) |
| Warrant revaluation                  | \$ -                      | \$ 2,070,359   | \$ 2,070,359   |

### As of December 31, 2014

|                                         | As Previously<br>Reported | Adjustment   | As Restated  |
|-----------------------------------------|---------------------------|--------------|--------------|
| <b>Consolidated Balance Sheet Data:</b> |                           |              |              |
| Warrant liability                       | \$ -                      | 4,633,312    | \$ 4,633,312 |
| Total liabilities                       | 653,669                   | 4,633,312    | 5,286,981    |
| Additional paid-in capital              | 81,276,339                | (10,474,875) | 70,801,464   |
| Accumulated deficit                     | (75,894,854)              | 5,841,563    | (70,053,291) |
| Total stockholders equity               | \$ 5,399,568              | (4,633,312)  | \$ 766,256   |

### As of June 30, 2015

|                                         | As Previously<br>Reported | Adjustment   | As Restated  |
|-----------------------------------------|---------------------------|--------------|--------------|
| <b>Consolidated Balance Sheet Data:</b> |                           |              |              |
| Warrant liability                       | \$ -                      | \$ 2,975,061 | \$ 2,975,061 |
| Total liabilities                       | 452,571                   | 2,975,061    | 3,427,632    |



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|                            |              |                |              |
|----------------------------|--------------|----------------|--------------|
| Additional paid-in capital | 82,016,278   | (10,474,875)   | 71,541,403   |
| Accumulated deficit        | (78,455,447) | 7,499,814      | (70,955,633) |
| Total stockholders' equity | \$ 3,578,914 | \$ (2,975,061) | \$ 603,853   |

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

| ASSETS                                                                                                                           | June 30,<br>2015<br>(Unaudited)<br>Restated | December 31,<br>2014<br>Restated |
|----------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|----------------------------------|
| <b>Current Assets</b>                                                                                                            |                                             |                                  |
| Cash and cash equivalents                                                                                                        | \$ 2,371,266                                | \$ 4,220,225                     |
| Restricted cash                                                                                                                  | 325,505                                     | 325,181                          |
| Accounts receivable - project revenue and reimbursable project costs                                                             | 247,144                                     | 469,086                          |
| Prepaid expenses and other current assets                                                                                        | 203,795                                     | 205,185                          |
| <b>Total Current Assets</b>                                                                                                      | <b>3,147,710</b>                            | <b>5,219,677</b>                 |
| Property Plant and Equipment -net                                                                                                | -                                           | -                                |
| <b>Other Assets</b>                                                                                                              |                                             |                                  |
| Patent costs                                                                                                                     | 883,775                                     | 833,560                          |
| <b>Total Assets</b>                                                                                                              | <b>\$ 4,031,485</b>                         | <b>\$ 6,053,237</b>              |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                                                      |                                             |                                  |
| <b>Current Liabilities</b>                                                                                                       |                                             |                                  |
| Accounts payable and accrued liabilities                                                                                         | \$ 452,571                                  | \$ 653,669                       |
| <b>Total Current Liabilities</b>                                                                                                 | <b>452,571</b>                              | <b>653,669</b>                   |
| Warrant liability                                                                                                                | 2,975,061                                   | 4,633,312                        |
| <b>Total Liabilities</b>                                                                                                         | <b>3,427,632</b>                            | <b>5,286,981</b>                 |
| Commitments and contingencies note 6                                                                                             |                                             |                                  |
| <b>Stockholders' Equity</b>                                                                                                      |                                             |                                  |
| Preferred stock, \$0.001 par value, 50,000,000 authorized shares,<br>no shares issued and outstanding                            | -                                           | -                                |
| Common stock, \$0.001 par value, 500,000,000 authorized,<br>18,082,874 shares outstanding at June 30, 2015 and December 31, 2014 | 18,083                                      | 18,083                           |
| Additional paid-in capital                                                                                                       | 71,541,403                                  | 70,801,464                       |
| Accumulated Deficit                                                                                                              | (70,955,633)                                | (70,053,291)                     |
| <b>Total Stockholders' Equity</b>                                                                                                | <b>603,853</b>                              | <b>766,256</b>                   |
| <b>Total Liabilities and Stockholders' Equity</b>                                                                                | <b>\$ 4,031,485</b>                         | <b>\$ 6,053,237</b>              |
| The accompanying notes are an integral part of these condensed consolidated financial statements                                 |                                             |                                  |

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

|                                                  | <b>Three Months Ended<br/>June 30,</b> |                          | <b>Six Months Ended<br/>June 30,</b> |                          |
|--------------------------------------------------|----------------------------------------|--------------------------|--------------------------------------|--------------------------|
|                                                  | <b>2015<br/>Restated</b>               | <b>2014<br/>Restated</b> | <b>2015<br/>Restated</b>             | <b>2014<br/>Restated</b> |
| Revenue:                                         |                                        |                          |                                      |                          |
| Consulting Revenue                               | \$ 298,162                             | \$ 349,131               | \$ 422,057                           | \$ 603,238               |
| Cost of Consulting Services Provided             | 275,662                                | 230,974                  | 333,054                              | 355,986                  |
| Gross Margin                                     | 22,500                                 | 118,157                  | 89,003                               | 247,252                  |
| Operating Expenses                               |                                        |                          |                                      |                          |
| General and administrative                       | 1,108,807                              | 1,149,420                | 2,039,100                            | 2,280,839                |
| Research and development expenses                | 394,715                                | 624,448                  | 607,545                              | 1,056,434                |
| Total Operating Expenses                         | 1,503,522                              | 1,773,868                | 2,646,645                            | 3,337,273                |
| Operating Loss                                   | (1,481,022)                            | (1,655,711)              | (2,557,642)                          | (3,090,021)              |
| Other Income and (Expenses)                      |                                        |                          |                                      |                          |
| Warrant revaluation                              | 460,265                                | (96,029)                 | 1,658,251                            | (2,070,359)              |
| Investment income                                | 163                                    | 603                      | 323                                  | 991                      |
| Other income (expenses)                          | (762)                                  | -                        | (3,274)                              | -                        |
| Total Other Income and (Expenses)                | 459,666                                | (95,426)                 | 1,655,300                            | (2,069,368)              |
| Net loss before income taxes                     | (1,021,356)                            | (1,751,137)              | (902,342)                            | (5,159,389)              |
| Income taxes                                     | -                                      | -                        | -                                    | -                        |
| Net loss                                         | \$ (1,021,356)                         | \$ (1,751,137)           | \$ (902,342)                         | \$ (5,159,389)           |
| Net Loss Per Common Share,<br>Basic and Diluted  | \$ (0.06)                              | \$ (0.12)                | \$ (0.05)                            | \$ (0.34)                |
| Weighted Average Number of<br>Shares Outstanding | 18,082,874                             | 15,067,885               | 18,082,874                           | 15,063,052               |

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

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

|                                                                                             | <b>Six Months Ended<br/>June 30,</b> |                          |
|---------------------------------------------------------------------------------------------|--------------------------------------|--------------------------|
|                                                                                             | <b>2015<br/>Restated</b>             | <b>2014<br/>Restated</b> |
| <b>Cash Flows from Operating Activities:</b>                                                |                                      |                          |
| Net Loss                                                                                    | \$ (902,342)                         | \$ (5,159,389)           |
| Adjustments to reconcile net loss from operations to net cash used in operating activities: |                                      |                          |
| Stock-based compensation                                                                    | 782,036                              | 125,297                  |
| Loss on marketable securities                                                               | --                                   | (792)                    |
| Warrant revaluation                                                                         | (1,658,251)                          | 2,070,359                |
| Changes in non-cash operating working capital items:                                        |                                      |                          |
| Accounts receivable - fees and reimburseable project costs                                  | 221,942                              | 17,685                   |
| Prepaid expenses and other assets                                                           | 1,389                                | (50,203)                 |
| Accounts payable and accrued liabilities                                                    | (201,097)                            | 378,220                  |
| <b>Net Cash Used In Operating Activities</b>                                                | <b>(1,756,323)</b>                   | <b>(2,618,823)</b>       |
| <b>Cash Flows from Investing Activities:</b>                                                |                                      |                          |
| Payments for patent costs                                                                   | (50,215)                             | (65,546)                 |
| <b>Net Cash Used In Investing Activities</b>                                                | <b>(50,215)</b>                      | <b>(65,546)</b>          |
| <b>Cash Flows from Financing Activities:</b>                                                |                                      |                          |
| Payments for stock offering costs                                                           | (42,097)                             | -                        |
| Restricted cash                                                                             | (324)                                | (554)                    |
| <b>Net Cash Used In Financing Activities</b>                                                | <b>(42,421)</b>                      | <b>(554)</b>             |
| <b>Net Decrease In Cash and Cash Equivalents</b>                                            | <b>(1,848,959)</b>                   | <b>(2,684,923)</b>       |
| <b>Cash and Cash Equivalents, Beginning of Period</b>                                       | <b>4,220,225</b>                     | <b>3,672,877</b>         |
| <b>Cash and Cash Equivalents, End of Period</b>                                             | <b>\$ 2,371,266</b>                  | <b>\$ 987,954</b>        |
| <b>Supplemental Disclosure of Cash Flow Information:</b>                                    |                                      |                          |
| Cash paid during the year:                                                                  |                                      |                          |
| Interest                                                                                    | \$ -                                 | \$ -                     |
| Income taxes                                                                                | \$ -                                 | \$ -                     |

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

**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 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, 2014, included in our Annual Report on Form 10-K/A for the year ended December 31, 2014.

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 periods presented, have been made. Results for the interim periods presented are not necessarily indicative of the results that might be expected for the entire fiscal year. When used in these notes, the terms "Company," "we," "us" or "our" mean Lightbridge Corporation and all entities included in our consolidated financial statements.

We were 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 ( "Lightbridge" or the "Company" ). We are engaged in two operating business segments: our Technology Business Segment and our Consulting Business Segment (see Note 10-Business Segment Results).

**Technology Business Segment**

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

We are currently focusing our development efforts primarily on the metallic fuel with a power uprate of 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 modular reactors.

On October 20, 2014, we announced the signing of an initial cooperation agreement with Canadian Nuclear Laboratories ( "CNL" ), formerly known as Atomic Energy of Canada Limited-Chalk River Laboratories, for fabrication of Lightbridge's patented next generation metallic nuclear fuel samples. Our plan is to work with CNL on fabrication of our fuel samples at their Chalk River facilities in Canada, with full irradiation of the fabricated fuel samples to be performed separately in a pressurized water loop of the Halden research reactor located in Halden, Norway.

On July 8, 2015 we entered into a service agreement with the Institute for Energy Technology ( "IFE" ) of Norway for irradiation testing of Lightbridge advanced metallic nuclear fuel samples under prototypic commercial reactor operating conditions in IFE's Halden research reactor, southeast of Oslo.

**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. On August 1, 2008, we signed separate consulting services agreements with two government entities: Emirates Nuclear Energy Corporation ( ENEC ) formed by Abu Dhabi, one of the member Emirates of the United Arab Emirates ( UAE ), and the Federal Authority for Nuclear Regulation ( FANR ) formed by the government of the UAE. Under these two original agreements, we have provided consulting and strategic advisory services over a contract term of five years starting from June 23, 2008. The ENEC contract has been extended through 2015. The FANR contract has been extended to December 31, 2016. These contracts can each continue to be extended upon agreement by both parties.

On August 11, 2014, we were selected to provide quality assurance, safety and construction inspection services in support of the in-house inspection team of FANR. As a team with Lloyd's Register, this work is in addition to our ongoing support of FANR's activities.

During the fourth quarter of 2014, we signed a contract with ENEC to provide management consulting services to their Seoul Korea office, on a time and material basis.

## Accounting Policies and Pronouncements

### *Basis of Consolidation*

These consolidated financial statements include the accounts of Lightbridge, a Nevada corporation, and our wholly-owned subsidiaries, TPI, a Delaware corporation, Lightbridge International Holding LLC, a Delaware limited liability company, and our foreign branch offices.

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, both of which are wholly owned by Lightbridge International Holding LLC at December 31, 2014. These branch offices will be closed in 2015. Translation gains and losses for the three and six months ended June 30, 2015 and 2014 were not significant. Foreign branches are winding down as of June 30, 2015.

### *Use of Estimates and Assumptions*

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

### *Significant Estimates*

These accompanying consolidated financial statements include some amounts that are based on management's best estimates and judgments. The most significant estimates relate to valuation of stock grants and stock options, the valuation allowance on deferred tax assets and various contingent liabilities. It is reasonably possible that these above-mentioned estimates and others may be adjusted as more current information becomes available, and any adjustment could be significant in future reporting periods. It is also reasonably possible that the actual grant date value of the stock options vested might have been materially different than the estimated value.

### *Certain Risks, Uncertainties and Concentrations*

We are an early stage company and will likely need additional funding by way of strategic alliances, further offerings of equity securities, an offering of debt securities, or a financing through a bank in order to support the remaining research and development activities required to further enhance and complete the development of our fuel products to a commercial stage. Currently, we are working on consulting revenue opportunities with the overall goal of increasing our profitability and cash flow.

We participate in a government-regulated industry. Our operating results are affected by a wide variety of factors including decreases in the use or public favor of nuclear power, the ability of our technology to safeguard the production of nuclear power and our ability to safeguard our patents and intellectual property from competitors. Due to these factors, we may experience substantial period-to-period fluctuations in our future operating results. Potentially, a loss of a key officer, key management, and other personnel could impair our ability to successfully execute our business strategy, particularly when these individuals have acquired specialized knowledge and skills with respect to nuclear power and our operations.

Our future operations and earnings currently depend on the results of the Company's operations outside the United States. There can be no assurance that the Company will be able to successfully continue to conduct such operations, and a failure to do so would have a material adverse effect on the Company's research and development activities, financial position, results of operations, and cash flows. Also, the success of the Company's operations will be subject to other numerous contingencies, some of which are beyond management's control. These contingencies include

general and regional economic conditions, competition, changes in regulations, changes in accounting and taxation standards, inability to achieve overall long-term goals, future impairment charges and global or regional catastrophic events. Because the Company is dependent on its international operations for almost all its revenue, the Company may be subject to various additional political, economic, and other uncertainties.

Financial instruments that potentially subject us to concentrations of credit risk consist principally of cash equivalents and accounts receivable. Cash equivalents consist of a checking account held with one major financial institution with a high credit standing.

Accounts receivable are typically unsecured and are primarily derived from revenues earned from customers located in the Middle East. We perform ongoing evaluations to determine customer credit and we limit the amount of credit we extend, but generally we do not require collateral from our customers. We maintain reserves for estimated credit losses, however, no reserve has been set up at June 30, 2015 and 2014, as we have not incurred any credit losses from our customers to date.

Approximately 60% and 80% of the total revenues reported for the three months ended June 30, 2015 and 2014, respectively, were from the ENEC and FANR contracts. The ENEC and FANR contracts were approximately 60% and substantially all of our consulting revenues for the six months ended June 30, 2015 and 2014, respectively. Contracts with one other customer constituted approximately 40% and 20% of the total revenues reported for the three months ended June 30, 2015 and 2014, respectively, and approximately 40% and 20% of the total revenues reported for the six months ended June 30, 2015 and 2014, respectively.



### *Revenue Recognition*

#### *Consulting Business Segment*

At the present time, we derive all of our revenue from our consulting and strategic advisory services business segment, by offering consulting services to governments outside the United States planning to create or expand electricity generation capabilities using nuclear power plants. Our fee structure for each client engagement is dependent on a number of variables, including the size of the client, the complexity, the level of the opportunity for us to improve the client's electrical generation capabilities using nuclear power plants, and other factors. The accounting policy we use to recognize revenue depends on the terms and conditions of the specific contract.

Revenues from the Executive Affairs Authority (EAA) of Abu Dhabi, one of the member Emirates of the UAE, and the related entities, ENEC and FANR, are billed on both a time and expense basis and on a fixed contract basis with revenue recognized based on the acceptance of defined contract deliverables.

Certain customer arrangements require evaluation of the criteria outlined in the accounting standards for reporting revenue—Gross as a Principal Versus Net as an Agent—in determining whether it is appropriate to record the gross amount of revenue and related costs, or the net amount earned as agent fees. Generally, when we are primarily obligated in a transaction, revenue is recorded on a gross basis.

Other factors that we consider in determining whether to recognize revenue on a gross versus net basis include our assumption of credit risk, latitude in establishing prices, our determination of service specifications, and our involvement in the provision of services. We have determined, based on the credit risk that we bear for collecting consulting fees, travel costs, and other reimbursable costs from our customers, that in 2015 and 2014 we acted as a principal, and therefore we are recognizing as revenue all travel costs and other reimbursable costs billed to our customers.

Cost of consulting services includes labor, travel expenses, stock-based compensation and other related consulting costs. All costs directly related to producing work under certain consulting agreements where revenue is recognized upon acceptance of certain contractual milestones by our customer, are first capitalized as deferred project costs. Deferred project costs are then recognized or amortized to an expense captioned—cost of consulting services provided on the accompanying consolidated statement of operations, when the revenue is recognized upon the delivery and acceptance of the defined contractual milestones or deliverables.

#### *Technology Business Segment*

Once our nuclear fuel designs have advanced to a commercially usable stage by a fuel fabricator and/or nuclear plant owner/operator, we will seek to license our technology to them or to major government contractors working for the applicable government. We expect that our revenue from these license fees will be recognized on a straight-line basis over the expected period of the related license term.

#### *Stock-Based Compensation*

The stock-based compensation expense incurred by Lightbridge for employees and directors in connection with its stock option plan is based on the employee model of ASC 718, and the fair market value of the options is measured at the grant date. Under ASC 718 employee is defined as, "An individual over whom the grantor of a share-based compensation award exercises or has the right to exercise sufficient control to establish an employer-employee relationship based on common law as illustrated in case law and currently under U.S. Tax Regulations." Our advisory board members and consultants do not meet the employer-employee relationship as defined by the IRS and therefore are accounted for under ASC 505-50.

ASC 505-50-30-11 (previously EITF 96-18) further provides that an issuer shall measure the fair value of the equity instruments in these transactions using the stock price and other measurement assumptions as of the earlier of the following dates, referred to as the measurement date:

- i. The date at which a commitment for performance by the counterparty to earn the equity instruments is reached (a performance commitment); and
- ii. The date at which the counterparty's performance is complete.

We have elected to use the Black-Scholes pricing model to determine the fair value of stock options on the measurement date of the grant. Restricted stock units are measured based on the fair market values of the underlying stock on the measurement date of the grant. Shares that are issued to officers on the exercise dates of their stock options may be issued net of the statutory withholding requirements to be paid by us on behalf of our employees. As a result, the actual number of shares issued will be fewer than the actual number of shares exercised under the stock option. We recognize stock-based compensation using the straight-line method over the requisite service period.

For the three months and six months ended June 30, 2015, we recognized stock-based compensation of approximately \$0.8 million and \$0.1 million respectively. For the three months and six months ended June 30, 2014, we recognized stock-based compensation of approximately \$0.1 million and \$0.1 million respectively. Related income tax benefits were not recognized, as we incurred a tax loss for both years.

#### *Fair Value of Financial Instruments*

The carrying amounts of our financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities, approximate fair value because of their generally short maturities. We carry marketable securities at fair value.

#### *Cash and Cash Equivalents and Restricted Cash*

We invest our excess cash in money market mutual funds and mutual bond funds. 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. Total cash and cash equivalents held in checking accounts and a money market core cash account, as reported on the accompanying consolidated balance sheets, totaled approximately \$2.4 million and \$4.2 million at June 30, 2015 and December 31, 2014, respectively.

Restricted cash represents cash being held by the same prominent financial institution that is being used as collateral for our corporate credit cards and future letters of credit that we may issue to some of our foreign customers. The total balance of our restricted cash at June 30, 2015 and December 31, 2014, was approximately \$0.3 million.

#### *Trade Accounts Receivable*

We record accounts receivable at the invoiced amount and we do not charge interest. We review the accounts receivable by amounts due from customers which are past due, to identify specific customers with known disputes or collectability issues. In determining the amount of the reserve, we make judgments about the creditworthiness of significant customers based on ongoing credit evaluations. We will also maintain a sales allowance to reserve for potential credits issued to customers. We will determine the amount of the reserve based on historical credits issued.

There was no provision for doubtful accounts recorded at June 30, 2015 and December 31, 2014, as we have not experienced any debt write-offs from any of our customers.

Approximately 66% of all accounts receivable at June 30, 2015 and substantially all of our December 31, 2014, are from the FANR and ENEC contracts (see Note 4-Accounts Receivable – Project Revenue and Reimbursable Project Costs).

#### *Income Taxes*

Income taxes are accounted for under the asset and liability method in accordance with United States generally accepted accounting principles. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial carrying amounts of existing assets and liabilities and their respective tax bases as well as operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance to the extent that the recoverability of the asset is unlikely to be recognized. We did not provide any current or deferred

income tax provision or benefit for any periods presented to date because we have continued to experience a net operating loss since inception and therefore provide a 100% valuation allowance against all of our deferred tax assets.

The Company adopted the ASC standards relating to *Accounting for Uncertainty in Income Taxes*. This pronouncement provides guidance for recognizing and measuring uncertain tax positions, as defined in the FASB accounting pronouncement *Accounting for Income Taxes*. This pronouncement prescribes a threshold condition that a tax position must meet for any of the benefits of the uncertain tax position to be recognized in the financial statements. This pronouncement also provides accounting guidance on derecognizing, classification and disclosure of these uncertain tax positions. The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Company has not recognized any interest and penalties in 2015 or 2014.

#### *Foreign Currency*

The functional currency of our international branches is the local currency. We translate the financial statements of these branches to U.S. dollars using period-end rates of exchange for assets and liabilities, and average rates of exchange for revenues, costs, and expenses. The translation gains/losses for our branch office in Russia were not significant for the three and six months ended June 30, 2015 and 2014.

### *Patents and Legal Costs*

Patents are stated on the accompanying consolidated balance sheets at cost. The costs of the patents, once placed in service, will be amortized on a straight-line basis over their estimated useful lives or the remaining legal lives of the patents, whichever is shorter. The amortization periods for our patents can range between 17 and 20 years if placed into service at the beginning of their legal lives. Our patents have not been placed in service for the three and six months ended June 30, 2015 and 2014.

Legal costs are expensed as incurred except for legal costs to file for patent protection, which are capitalized and reported as patents on the accompanying condensed consolidated balance sheets.

### *Impairment of long-lived assets*

Long-lived assets of the Company are reviewed for impairment whenever events or circumstances indicate that the carrying amount of assets may not be recoverable. The Company recognizes an impairment loss when the sum of expected undiscounted future cash flows is less than the carrying amount of the asset. The amount of impairment is measured as the difference between the asset's estimated fair value and its book value. The Company did not consider it necessary to record any impairment charges for the three and six months ended June 30, 2015 and 2014.

### *Research, Development and Related Expenses*

These costs from our Technology business segment are charged to operations in the period incurred and are shown on a separate line on the accompanying Consolidated Statements of Operations. Research and development and related expenses totaled approximately \$0.4 million and \$0.6 million for the three and six months ended June 30, 2015, respectively. Research and development and related expenses totaled approximately \$0.6 million and \$1.1 million for the three and six months ended June 30, 2014, respectively.

### *Segment Reporting*

We use the management approach in determining reportable operating segments. The management approach considers the internal organization and reporting used by our chief decision makers for making operating decisions and assessing performance, as the source for determining our reportable segments. We have determined that we have two operating segments as defined by the FASB accounting pronouncement, *Disclosures about Segments of an Enterprise and Related Information*. As discussed above, our two reporting business segments are our technology business and our consulting services business (See Note 10 - Business Segment Results).

### *Warrant Liability*

The Company accounts for stock warrants as either equity instruments or derivative liabilities depending on the specific terms of the warrant agreement. Stock warrants are accounted for as a derivative in accordance with Accounting Standards Codification 815, *Derivatives and Hedging* (ASC 815) if the stock warrants contain terms that could potentially require net cash settlement and therefore, do not meet the scope exception for treatment as a derivative. Warrant instruments that could potentially require net cash settlement in the absence of express language precluding such settlement are initially classified as derivative liabilities at their estimated fair values, regardless of the likelihood that such instruments will ever be settled in cash. The Company will continue to classify the fair value of the warrants that contain net cash settlement as a liability until the warrants are exercised, expire or are amended in a way that would no longer require these warrants to be classified as a liability. For additional discussion of our warrants, see Note 8.

### *Recent Accounting Pronouncements*

*Revenue Recognition*

In May 2014, the FASB issued guidance on revenue from contracts with customers that will supersede 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. The guidance is effective for the interim and annual periods beginning on or after December 15, 2017, (early adoption is not permitted). The guidance permits the use of either a retrospective or cumulative effect transition method.

*Going Concern*

In August 2014, FASB issued guidance that requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued. An entity must provide certain disclosures if conditions or events raise substantial doubt about the entity's ability to continue as a going concern. The updated accounting guidance will be effective for the Company on January 1, 2017, and early adoption is permitted. The Company will evaluate the going concern considerations in this guidance upon adoption.

The Company does not expect the adoption of any recent accounting pronouncements to have a material impact on its financial statements.

**Note 2. Restatement of Previously Issued Condensed Consolidated Financial Statements**

On November 4, 2015, the Audit Committee of the Company's Board of Directors (the "Audit Committee"), in connection with an internal review initiated by Company management, concluded that, because of a misapplication of the accounting guidance related to certain of the Company's warrants, the Company's previously issued consolidated financial statements for all periods beginning with the quarterly period ended September 30, 2010 through June 30, 2015 (collectively, the "Affected Periods") should no longer be relied upon. As such, the Company is restating in this Quarterly Report its financial statements for the quarterly periods ended June 30, 2015 and 2014. However, these restatements result in non-cash, non-operating financial statement corrections and will have no impact on the Company's current or previously reported cash position, operating expenses or total operating, investing or financing cash flows, or net operating loss carryforward. The Company's December 31, 2014 opening balances were adjusted to reflect the cumulative impact of these restatements as a decrease in additional paid-in capital of \$10.4 million and a decrease in accumulated deficit of \$5.8 million, for a total change to stockholders' equity of \$4.6 million.

The warrants at issue (collectively, the "Warrants") consist of the following warrants outstanding as of June 30, 2015 and December 31, 2014:

|                                                                                                                                                                                                      |                  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Issued to Investors on July 28, 2010, entitling the holders to purchase 1,034,996 common shares in the Company at an exercise price of \$9.00 per common share up to and including July 27, 2017     | 1,034,996        |
| Issued to Investors on October 25, 2013, entitling the holders to purchase 1,250,000 common shares in the Company at an exercise price of \$2.30 per common share up to and including April 24, 2021 | 1,117,178        |
| Issued to Investors on November 17, 2014, entitling the holders to purchase 2,734,590 common shares in the Company at an exercise price of \$2.31 per common share up to and including May 16, 2022  | 2,734,590        |
| <b>Total</b>                                                                                                                                                                                         | <b>4,886,764</b> |

The Warrants were issued and classified as equity on the Company's consolidated balance sheets. The corresponding Condensed Consolidated Statements of Operations did not include the non-cash changes in the estimated fair value of such Warrants. Those Warrants, however, contain a cash settlement feature regarding fundamental transactions that allowed those Warrant holders to have a different settlement option than the Company's stockholders upon certain fundamental transactions, including a change of control of the Company, thereby precluding equity treatment for the Warrants.

Based on Accounting Standards Codification 815, *Derivatives and Hedging* (ASC 815), warrant instruments that could potentially require net cash settlement in the absence of express language precluding such settlement should be initially classified as derivative liabilities at their estimated fair values, regardless of the likelihood that such instruments will ever be settled in cash. In periods subsequent to issuance, changes in the estimated fair value of the derivative instruments should be reported in the statement of operations. The Audit Committee, together with management, determined that the financial statements in the Affected Periods should be restated to reflect the Warrants as liabilities, with subsequent changes in their estimated fair value recorded as non-cash income or expense in each Affected Period.

The cumulative effect of these adjustments on our financial statements is a 7.7% decrease in the accumulated deficit in the amount of approximately \$5.8 million as of December 31, 2014. The restatement had no impact on net cash flows from operating, investing or financing activities as the adjustments resulting from the non-cash change in the fair value of the warrant liability for each period and the statements of operations only impacted net loss from operations.





**Impact of the Restatement June 30, 2015 and 2014****Three Months Ended June 30, 2015**

|                                                   | <b>As Previously<br/>Reported</b> | <b>Adjustment</b> | <b>As Restated</b> |
|---------------------------------------------------|-----------------------------------|-------------------|--------------------|
| <b>Consolidated Statement of Operations Data:</b> |                                   |                   |                    |
| Warrant revaluation                               | \$ -                              | \$ 460,265        | \$ 460,265         |
| Income (loss) from operations before income taxes | (1,481,621)                       | 460,265           | (1,021,356)        |
| Net loss                                          | (1,481,621)                       | 460,265           | (1,021,356)        |
| Net loss per share, basic and diluted             | \$ (0.08)                         | \$ 0.02           | \$ (0.06)          |

**Three Months Ended June 30, 2014**

|                                                   | <b>As Previously<br/>Reported</b> | <b>Adjustment</b> | <b>As Restated</b> |
|---------------------------------------------------|-----------------------------------|-------------------|--------------------|
| <b>Consolidated Statement of Operations Data:</b> |                                   |                   |                    |
| Warrant revaluation                               | \$ -                              | \$ (96,029)       | \$ (96,029)        |
| Loss from operations before income taxes          | (1,655,108)                       | (96,029)          | (1,751,137)        |
| Net loss                                          | (1,655,108)                       | (96,029)          | (1,751,137)        |
| Net loss per share, basic and diluted             | \$ (0.11)                         | \$ (0.01)         | \$ (0.12)          |

**Six Months Ended June 30, 2015**

|                                                   | <b>As Previously<br/>Reported</b> | <b>Adjustment</b> | <b>As Restated</b> |
|---------------------------------------------------|-----------------------------------|-------------------|--------------------|
| <b>Consolidated Statement of Operations Data:</b> |                                   |                   |                    |
| Warrant revaluation                               | \$ -                              | \$ 1,658,251      | \$ 1,658,251       |
| Loss from operations before income taxes          | (2,560,593)                       | 1,658,251         | (902,342)          |
| Net loss                                          | (2,560,593)                       | 1,658,251         | (902,342)          |
| Net loss per share, basic and diluted             | \$ (0.14)                         | \$ 0.09           | \$ (0.05)          |

**Six Months Ended June 30, 2014**

|                                                   | <b>As Previously<br/>Reported</b> | <b>Adjustment</b> | <b>As Restated</b> |
|---------------------------------------------------|-----------------------------------|-------------------|--------------------|
| <b>Consolidated Statement of Operations Data:</b> |                                   |                   |                    |
| Warrant revaluation                               | \$ -                              | \$ (2,070,359)    | \$ (2,070,359)     |
| Loss from operations before income taxes          | (3,089,030)                       | (2,070,359)       | (5,159,389)        |
| Net loss                                          | (3,089,030)                       | (2,070,359)       | (5,159,389)        |
| Net loss per share, basic and diluted             | \$ (0.21)                         | \$ (0.13)         | \$ (0.34)          |

**Six Months Ended June 30, 2015**

|                                      | <b>As Previously<br/>Reported</b> | <b>Adjustment</b> | <b>As Restated</b> |
|--------------------------------------|-----------------------------------|-------------------|--------------------|
| <b>Consolidated Cash Flows Data:</b> |                                   |                   |                    |
| Net loss                             | \$ (2,560,593)                    | \$ 1,658,251      | \$ (902,342)       |
| Warrant revaluation                  | \$ -                              | \$ (1,658,251)    | \$ (1,658,251)     |

**Six Months Ended June 30, 2014**

|                                      | <b>As Previously<br/>Reported</b> | <b>Adjustment</b> | <b>As Restated</b> |
|--------------------------------------|-----------------------------------|-------------------|--------------------|
| <b>Consolidated Cash Flows Data:</b> |                                   |                   |                    |
| Net loss                             | \$ (3,089,030)                    | \$ (2,070,359)    | \$ (5,159,389)     |

|                     |    |   |    |           |    |           |
|---------------------|----|---|----|-----------|----|-----------|
| Warrant revaluation | \$ | - | \$ | 2,070,359 | \$ | 2,070,359 |
|---------------------|----|---|----|-----------|----|-----------|

**As of December 31, 2014**

|                                         | <b>As Previously<br/>Reported</b> | <b>Adjustment</b> | <b>As Restated</b> |
|-----------------------------------------|-----------------------------------|-------------------|--------------------|
| <b>Consolidated Balance Sheet Data:</b> |                                   |                   |                    |
| Warrant liability                       | \$ -                              | 4,633,312         | \$ 4,633,312       |
| Total liabilities                       | 653,669                           | 4,633,312         | 5,286,981          |
| Additional paid-in capital              | 81,276,339                        | (10,474,875)      | 70,801,464         |
| Accumulated deficit                     | (75,894,854)                      | 5,841,563         | (70,053,291)       |
| Total stockholders equity               | \$ 5,399,568                      | (4,633,312)       | \$ 766,256         |

## As of June 30, 2015

|                                         | As Previously<br>Reported | Adjustment     | As Restated  |
|-----------------------------------------|---------------------------|----------------|--------------|
| <b>Consolidated Balance Sheet Data:</b> |                           |                |              |
| Warrant liability                       | \$ -                      | \$ 2,975,061   | \$ 2,975,061 |
| Total liabilities                       | 452,571                   | 2,975,061      | 3,427,632    |
| Additional paid-in capital              | 82,016,278                | (10,474,875)   | 71,541,403   |
| Accumulated deficit                     | (78,455,447)              | 7,499,814      | (70,955,633) |
| Total stockholders' equity              | \$ 3,578,914              | \$ (2,975,061) | \$ 603,853   |

**Note 3. Net Loss Per Share**

Basic earnings (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, restricted stock units, and unvested common shares subject to repurchase or cancellation. The dilutive effect of outstanding stock options, restricted shares, restricted stock units, and warrants (see note 9 Stockholders' Equity) is not reflected in diluted earnings per share because we incurred net losses for the three months and six months ended June 30, 2015 and 2014, and the effect of including these potential common shares in the diluted earnings per share calculations would be anti-dilutive and are therefore not included in the calculations.

**Note 4. Accounts Receivable – Project Revenue and Reimbursable Project Costs***FANR and ENEC Projects*

The total accounts receivable from both the FANR and ENEC contracts was approximately \$0.2 million and \$0.5 million at June 30, 2015 and December 31, 2014, respectively. These amounts due from FANR and ENEC represent 66% of the accounts receivable reported at June 30, 2015 and 92% of the accounts receivable at December 31, 2014. Approximately 60% and 52% of the total revenues reported for the three and six months ended June 30, 2015 respectively, were from the ENEC and FANR contracts. Approximately 72% and 77% of the total revenues reported for the three and six months ended June 30, 2014 respectively, were from the ENEC and FANR contracts. Contracts with Lloyds Register constituted 35% and 42% of the total revenues reported for the three and six months ended June 30, 2015.

Total unbilled accounts receivable of approximately \$0.1 million was included in the accompanying condensed consolidated balance sheets and reported in accounts receivable at June 30, 2015 and December 31, 2014, and is for work that was billed to our clients in July 2015 and January 2015, respectively. Foreign currency transaction exchange losses and translation gains and losses for the three and six months ended June 30, 2015 and 2014, were not significant.

Travel costs and other reimbursable costs under these contracts are reported in the accompanying condensed statements of operations as both revenue and cost of consulting services provided, and were not significant for the three and six months ended June 30, 2015 and 2014. The total travel and other reimbursable expenses that have not been reimbursed to us are included in total accounts receivable reported above from our consulting contracts and were not significant at June 30, 2015 and December 31, 2014.

Under our agreements with ENEC and FANR, revenue will be recognized on a time and expense basis and fixed fee basis. We periodically discuss our consulting work with ENEC and FANR, who will review the work we perform, and our reimbursable travel expenses, and accept our monthly invoicing for services and reimbursable expenses. We

expect the variation of revenue we earn from these contracts to continue.

**Note 5. Accounts Payable and Accrued Liabilities**

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

|                            | <b>June 30,<br/>2015</b> | <b>December 31,<br/>2014</b> |
|----------------------------|--------------------------|------------------------------|
| Trade payables             | \$ 0.2                   | \$ 0.3                       |
| Accrued expenses and other | 0.3                      | 0.4                          |
| Total                      | \$ 0.5                   | \$ 0.7                       |

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## **Note 6. Commitments and Contingencies**

### *Operating Leases*

On October 16, 2013, we entered into a 1 year sub-lease agreement with our current landlord for our current office space starting January 1, 2014 and terminating December 31, 2014. The monthly rent payment was approximately \$32,000 plus additional charges. On January 1, 2015 we entered into a new sub-lease for our current office space for 38 months, with a monthly rent payment of approximately \$32,000 per month plus additional charges with no rent charged for the initial 2 months of the lease term. The deferred rent liability was approximately \$0.1 million at June 30, 2015.

Total rent expense was approximately \$0.1 million for the three months ended June 30, 2015 and 2014. Total rent expense was approximately \$0.2 million for the six months ended June 30, 2015 and 2014.

### *Litigation*

Our former Chief Financial Officer, filed a complaint against the Company and Seth Grae, President and Chief Executive Officer, with the Circuit Court of Fairfax County, Virginia (the *Fairfax County Complaint*), and a separate complaint against the Company with the U.S. Occupational Safety and Health Administration (the *OSHA Complaint*) on March 9, 2015.

The Fairfax County Complaint contained two claims for damages. The first claim alleged that the Company and Mr. Grae made defamatory statements regarding the former Chief Financial Officer. The claim demands at least \$1,000,000 in compensatory damages; costs, including reasonable fees for attorneys; and punitive damages of \$1,000,000. The second claim alleges that the Company breached the former Chief Financial Officer's employment contract by not paying the former Chief Financial Officer \$15,507 for paid time off, and demands additional compensatory damages of at least \$15,507.

The OSHA Complaint alleges that the Company unlawfully retaliated against the former Chief Financial Officer for challenging allegedly improper actions of the Company by making allegedly defamatory statements and terminating him from his employment with the Company. The former Chief Financial Officer's demand for damages is for back pay, front pay, and special damages. The complaint did not specify the amount of damages sought.

The Company believes that all of the claims by the former Chief Financial Officer are without merit and intends to vigorously defend itself.

## **Note 7. Research and Development Costs**

Research and development costs, included in the accompanying condensed consolidated statements of operations amounted to approximately \$0.4 million and \$0.6 million for the three months ended June 30, 2015 and 2014, respectively. Research and development costs, amounted to approximately \$0.6 million and \$1.1 million for the six months ended June 30, 2015 and 2014, respectively. We are in process of winding down our Moscow office operations, that we expect to be completed in 2015 and will focus our research and development work primarily in the United States, Canada, and Norway. There were no accrued liabilities related to the winding down of our Moscow office at June 30, 2015.

On October 20, 2014, we announced the signing of an initial cooperation agreement with Canadian Nuclear Laboratories (CNL), a wholly owned subsidiary of Atomic Energy of Canada Limited, for fabrication and test reactor irradiation of Lightbridge's patented next generation metallic nuclear fuel samples. Though we had initially planned for all of the work to take place at a single location in Chalk River, Ontario, Canada, subsequent to our announcement the Canadian government made an official decision to extend the operating life of the National Research Universal

reactor at Chalk River only until the end of March 2018. This shorter than expected operating life extension would not be able to accommodate all of our anticipated schedule for irradiation testing of our metallic fuel samples. Consequently, our plan is to work with CNL on fabrication of our fuel samples at their Chalk River facilities, with full irradiation of the fabricated fuel samples to be performed separately in a pressurized water loop of the Halden research reactor located in Halden, Norway. The operating license of the Halden research reactor has recently been renewed through 2020 which fits well with our anticipated irradiation testing schedule. Our current plan is to have post-irradiation examination of the irradiated fuel samples performed on the same site in Norway. There is also the opportunity to utilize additional nearby hot cell facilities located in Studsvik, Sweden that are operated by the Swedish company Studsvik AB.

We have consulting agreements with several consultants working on various projects for us, which total approximately \$10,000 per month.

#### **Note 8. Warrant Liability**

The foregoing warrants are recorded as liabilities at their estimated fair value at the date of issuance, with the subsequent changes in estimated fair value recorded in other income (expense) in the Company's statement of operations in each subsequent period. The change in the estimated fair value of our warrant liability for the three months ended June 30, 2015 and 2014 resulted in non-cash income of approximately \$0.5 million and non-cash expense of approximately \$0.1 million, respectively. The change in the estimated fair value of our warrant liability for the six months ended June 30, 2015 and 2014 resulted in non-cash income of approximately \$1.7 million and non-cash expense of approximately \$2.1 million, respectively. The Company utilizes the Monte Carlo simulation valuation method to value the liability classified warrants.

The estimated fair value of these warrants is determined using Level 3 inputs. Inherent in the Monte Carlo valuation model are assumptions related to expected stock-price volatility, expected life, risk-free interest rate and dividend yield. The Company estimates the volatility of its common stock based on historical volatility that matches the expected remaining life of the warrants. The risk-free interest rate is based on the U.S. Treasury zero-coupon yield curve on the grant date for a maturity similar to the expected remaining life of the warrants. The expected life of the warrants is assumed to be equivalent to their remaining contractual term. The dividend rate is based on the historical rate, which the Company anticipates to remain at zero.

The following table summarizes the calculated aggregate fair values, along with the assumptions utilized in each calculation:

|                                                      | June 30,<br>2015 | December 31,<br>2014 |
|------------------------------------------------------|------------------|----------------------|
| Calculated aggregate value                           | \$ 2,975,061     | \$ 4,633,312         |
| Weighted average exercise price per share of warrant | \$ 3.72          | \$ 3.72              |
| Closing price per share of common stock              | \$ 1.12          | \$ 1.55              |
| Weighted average volatility                          | 90.61            | 89.80                |
| Weighted average remaining expected life (years)     | 5.54             | 6.11                 |
| Weighted average risk-free interest rate             | 1.82             | 1.94                 |
| Dividend yield                                       | 0%               | 0%                   |

#### **Note 9. Stockholders Equity**

At June 30, 2015 and December 31, 2014, there are 500,000,000 shares of authorized common stock. Total common stock outstanding at June 30, 2015 and December 31, 2014 was 18,082,874 shares. At June 30, 2015, there were 4,886,764 stock warrants and 3,245,213 stock options outstanding, totaling 26,214,851 of total stock and stock equivalents outstanding at June 30, 2015.

At June 30, 2014 there are 500,000,000 shares of authorized common stock. Total common stock outstanding at June 30, 2014 was 15,071,536 shares. At June 30, 2014, there were 2,284,996 stock warrants and 2,143,686 stock options outstanding, all totaling 19,500,218 of total stock and stock equivalents outstanding at June 30, 2014.

#### **ATM Offering**

On June 11, 2015, the Company entered into an at-the-market issuance ( ATM ) sales agreement with MLV & Co. LLC ("MLV"), pursuant to which the Company may issue and sell shares of its common stock from time to time through MLV as the Company's sales agent. The issuance and sale of shares by the Company under the sales agreement are registered shares under the Company's shelf registration statement on Form S-3, as filed with the Securities and Exchange Commission on June 11, 2015 and declared effective by the Securities and Exchange Commission. There have been no stock sales made through the ATM for the period ended June 30.

#### **Registered Direct Offering and Outstanding Warrants**

##### **November 12, 2014 Offering**

On November 12, 2014, we completed an offering, the ( Offering ) with one existing institutional investor pursuant to which the Company sold an aggregate of 2,878,516 shares of its common stock and warrants to purchase a total of 2,734,590 shares of its common stock for aggregate gross proceeds, before deducting fees to the Placement Agent and other estimated offering expenses payable by the Company, of approximately \$5 million. The common stock and warrants were sold in fixed combinations, with each combination consisting of one share of common stock and a warrant to purchase 0.95 shares of common stock. The purchase price is \$1.75 per fixed combination. The warrants will become exercisable six months and one day following the issuance date of the Offering, on May 18, 2015, and

will remain exercisable for seven-and-a-half years from the date of issuance at an exercise price of \$2.31 per share. The exercise price of the warrants is subject to adjustment in the case of stock splits, stock dividends, combinations of shares, and similar recapitalization transactions. The exercisability of the warrants may be limited if, upon exercise, the holder or any of its affiliates would beneficially own more than 4.99% of the Company's common stock. This limit may be increased to up to 19.99% upon no fewer than 60 days' notice to the Company.

We received net proceeds of approximately \$4.5 million after payment of certain fees and expenses related to the Offering. The allocation of the proceeds from the offering, was originally recorded based on the relative fair value of the common stock and the warrants and the value of the warrants was recorded to additional paid in capital. The Company has reclassified these warrants from equity (see note 2) to liability and the fair value of that liability is re-measured at every reporting date. Changes in the fair value of the warrant liability are recognized in current earnings.



Outstanding Warrants

|                                                                                                                                                                                                      | June 30,<br>2015 | 2014             |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| Issued to Investors on July 28, 2010, entitling the holders to purchase 1,034,996 common shares in the Company at an exercise price of \$9.00 per common share up to and including July 27, 2017     | 1,034,996        | 1,034,996        |
| Issued to Investors on October 25, 2013, entitling the holders to purchase 1,250,000 common shares in the Company at an exercise price of \$2.30 per common share up to and including April 24, 2021 | 1,117,178        | 1,250,000        |
| Issued to Investors on November 17, 2014, entitling the holders to purchase 2,734,590 common shares in the Company at an exercise price of \$2.31 per common share up to and including May 16, 2022  | 2,734,590        | -                |
| <b>Total</b>                                                                                                                                                                                         | <b>4,886,764</b> | <b>2,284,996</b> |
| <u>Exercise of Warrants Q3-2014</u>                                                                                                                                                                  |                  |                  |

On September 3, 2014, we issued 132,822 shares of our common stock upon the exercise of warrants issued in conjunction with the October 21, 2013 stock offering. We received \$2.30 for each share or approximately \$306,000.

Stock-based Compensation Stock Options and Restricted StockStock Plan

On March 25, 2015, the Compensation Committee and Board of Directors approved the 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 authorizes a total of 3,000,000 shares to be available for grant under the Plan. The Plan became effective upon ratification by the shareholders of the Company at the shareholders' annual meeting on July 14, 2015. Other provisions are as follows:

- (i) Any shares of common stock granted in connection with Options and Stock Appreciation Rights shall be counted against this limit as one share for every one Stock Option or Stock Appreciation Right awarded. Any shares of common stock granted in connection with Awards other than Options and Stock Appreciation Rights shall be counted against this limit as two shares of common stock for every one share of common stock granted in connection with such Award;
- (ii) Subject to adjustment in accordance with the Plan, no Participant shall be granted, during any one year period, Options to purchase Common Stock and Stock Appreciation Rights with respect to more than two hundred fifty thousand (250,000) shares of Common Stock in the aggregate or any other Awards with respect to more than two hundred fifty thousand (250,000) shares of Common Stock in the aggregate. If an Award is to be settled in cash, the number of shares of Common Stock on which the Award is based shall count toward the individual share limit; and
- (iii) A ten percent shareholder shall not be granted an Incentive Stock Option unless the Option exercise price is at least 110% of the fair market value of the common stock at the grant date and the option is not exercisable after the expiration of five years from the grant date.

Total stock options outstanding at June 30, 2015 and December 31, 2014, were 3,245,213 and 2,026,564, of which 2,312,149 and 1,564,257 of these options were vested at June 30, 2015 and December 31, 2014, respectively. Stock

option expense was approximately \$700,000 and \$65,000 for the three months ended June 30, 2015 and 2014, respectively. Stock option expense was approximately \$782,000 and \$105,000 for the six months ended June 30, 2015 and 2014, respectively.

2015 Short-Term Non-Qualified Option Grants

On April 8, 2015, the Compensation Committee and the Board of Directors granted short term non-qualified stock options totaling 463,192 and 148,845 stock options under the 2006 Stock Plan and the 2015 Equity Incentive Plan, respectively, to employees and consultants of the Company. On April 9, 2015, the Compensation Committee and the Board of Directors granted an additional 47,017 and 3,968 stock options under the 2006 Stock Plan and the 2015 Equity Incentive Plan, respectively, all with a strike price of \$1.26. Also granted under the 2006 Stock Plan were 2,981, 1,775, and 1,310 non-qualified stock options on April 30, May 31, and June 30, 2015, respectively, as equity compensation in lieu of cash payroll with strike prices ranging from \$1.12 to \$1.23. These stock options vested immediately but the grants under the 2015 Equity Incentive Plan were only exercisable upon ratification of the Plan at the annual meeting of shareholders which took place on July 14, 2015. These stock options have an expected life of 5 years, and a contractual term of 10 years, a fair market value of between \$0.76 and \$0.86 per stock option, a risk free rate ranging between 1.37% to 1.63%, and volatility ranging between 86% to 88%, as measured on the grant date. The expected option term was calculated using the simplified method as we do not have sufficient historical option data to provide a better estimate of the expected option term. Under this method, the weighted-average expected life is presumed to be the average of the vesting term and the contractual term of the option, which results in a reduction of the estimated option value and consequently the stock option expense. The risk free rate was based on the US Treasury Yield Curve for the expected life of the options on the grant date. Expected dividends are estimated at \$0.0, as we have never issued dividends and we have no current plans to issue dividends in the future.

2015 Long-Term Incentive Option GrantsEmployees and Consultants Option Grants

On April 8, 2015, the Compensation Committee and the Board of Directors granted long term incentive stock options totaling 550,972, under the 2015 Equity Incentive Plan, the ( Plan ) to employees and consultants of the Company. These stock options vest 1/3 on each annual anniversary date over three years. These stock options have a strike price of \$1.26, which was the closing price of the Company's stock on the prior business day, and the stock options have a fair market value of \$0.91, based on a risk free rate of 1.55%, volatility of 87%, and an expected life of six years, as measured on the grant date. The expected life is calculated using the simplified method as we do not have sufficient historical option data to provide a better estimate of the expected option term. These options have a 10 year contractual term. The risk free rate was based on the US Treasury Yield Curve for the expected life of the options on the grant date. Expected dividends are estimated at \$0.0, as we have never issued dividends and we have no current plans to issue dividends in the future. We estimated future pre-vest forfeitures to be 1.5%, based on historical information.

Director Option Grants

On April 8, 2015, the Compensation Committee and the Board of Directors granted 112,996 long term non-qualified stock options under the 2015 Equity Incentive Plan to the Board of Directors of the Company. These stock options fully vest on the first annual anniversary date of the grant. These stock options have a strike price of \$1.26, which was the closing price of the Company's stock on the prior business day, and the stock options have a fair market value of \$0.88, based on a risk free rate of 1.46%, volatility of 86%, and an expected life of 5.5 years. The expected life is calculated using the simplified method as we do not have any history to provide a better estimate of the expected option term. These options have a 10 year contractual term. The risk free rate was based on the US Treasury Yield Curve for the expected life of the options on the grant date. Expected dividends are estimated at \$0.0, as we have never issued dividends and we have no current plans to issue dividends in the future. Grants to our consultants were re-measured as of June 30, 2015, and the fair market value of each option was \$0.81 on the measurement date. This re-measured stock option expense for options issued to consultants was not significant. We estimated future pre-vest forfeitures to be 1.5%, based on historical information.

2014 Stock Option Grants

On May 5, 2014, we granted 579,429 stock options to our employees, directors, and consultants. These stock options vest over three years for employees and consultants, and over one year for our directors. The fair market value of each option was \$1.79 on the grant date, based on (1) The strike price of \$2.55, the price of our stock at the close of the market on the grant date; (2) The expected life of the grant of 5 years which is equal to the term of the grant, as historically grants have only been exercised just before the term expires; (3) The risk free rate of 1.68% which is based on the treasury yield curve for a 5 year term as published by the U.S. Treasury for the grant date; (4) Volatility of 90.44%, as measured based on the expected life of the options, and (5) Expected dividends of \$0.0, as we have never issued dividends and we have no current plans to issue dividends in the future. Grants to our consultants were re-measured as of June 30, 2015, and the fair market value of each option was \$0.58 on the measurement date. We estimated future pre-vest forfeitures to be 1.5%, based on historical information.

Stock option transactions to the employees, directors and consultants are summarized as follows for the six months ended June 30, 2015:

| Options<br>Outstanding | Weighted<br>Average<br>Exercise<br>Price | Weighted<br>Average<br>Grant Date Fair<br>Value |
|------------------------|------------------------------------------|-------------------------------------------------|
|------------------------|------------------------------------------|-------------------------------------------------|

|                         |           |    |      |    |       |
|-------------------------|-----------|----|------|----|-------|
| Beginning of the period | 2,026,564 | \$ | 9.19 | \$ | 10.61 |
| Granted                 | 1,333,056 | \$ | 1.26 | \$ | 0.88  |
| Exercised               | -         |    | -    |    | -     |
| Forfeited               | (114,407) | \$ | 6.63 | \$ | 6.06  |
| Expired                 | -         | \$ | -    | \$ | -     |
| End of the period       | 3,245,213 | \$ | 6.03 | \$ | 5.42  |
| Options exercisable     | 2,312,149 | \$ | 7.80 | \$ | 7.15  |

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Stock option transactions to the employees, directors and consultants are summarized as follows for the year ended December 31, 2014:

|                       | Options<br>Outstanding | Weighted<br>Average<br>Exercise<br>Price | Weighted<br>Average<br>Grant Date Fair<br>Value |
|-----------------------|------------------------|------------------------------------------|-------------------------------------------------|
| Beginning of the year | 1,564,257              | \$ 11.16                                 | \$ 10.61                                        |
| Granted               | 579,429                | \$ 2.55                                  | \$ 1.79                                         |
| Exercised             | -                      | -                                        | -                                               |
| Forfeited             | (117,122)              | \$ 2.55                                  | \$ 1.79                                         |
| Expired               | -                      | \$ -                                     | \$ -                                            |
| End of the year       | 2,026,564              | \$ 9.19                                  | \$ 10.61                                        |
| Options exercisable   | 1,564,257              | \$ 11.16                                 | \$ 10.61                                        |

The above tables include options issued and outstanding as of June 30, 2015, as follows:

- i) A total of 255,202 non-qualified 10 year options have been issued, and are outstanding, to advisory board members at exercise prices of \$4.50 to \$14.40 per share.
- ii) A total of 2,731,900 non-qualified 5-10 year options have been issued, and are outstanding, to our directors, officers, and employees at exercise prices of \$1.12 to \$23.85 per share. From this total, 1,198,526 options are outstanding to the Chief Executive Officer who is also a director, with remaining contractual lives of 0.4 years to 9.8 years. All other options issued to directors, officers, and employees have a remaining contractual life ranging from 1.1 years to 10.0 years.
- iii) A total of 258,111 non-qualified 5-10 year options have been issued, and are outstanding, to our consultants at exercise prices of 1.26 to \$15.30 per share.

The following table provides certain information with respect to the above-referenced stock options that are outstanding and exercisable at June 30, 2015:

| Exercise<br>Prices | Stock Options Outstanding                                          |                        |                                          | Stock Options Vested                                               |                        |                                          |
|--------------------|--------------------------------------------------------------------|------------------------|------------------------------------------|--------------------------------------------------------------------|------------------------|------------------------------------------|
|                    | Weighted<br>Average<br>Remaining<br>Contractual<br>Life<br>- Years | Number<br>of<br>Awards | Weighted<br>Average<br>Exercise<br>Price | Weighted<br>Average<br>Remaining<br>Contractual<br>Life<br>- Years | Number<br>of<br>Awards | Weighted<br>Average<br>Exercise<br>Price |
| \$1.12 - \$5.00    | 7.81                                                               | 1,978,700              | \$ 1.86                                  | 7.59                                                               | 1,045,636              | \$ 2.07                                  |
| \$5.01 - \$12.90   | 3.55                                                               | 668,177                | \$ 7.59                                  | 3.55                                                               | 668,177                | \$ 7.59                                  |
| \$13.50-\$18.90    | 0.81                                                               | 358,336                | \$ 14.17                                 | 0.81                                                               | 358,336                | \$ 14.17                                 |
| \$19.20-\$23.85    | 0.63                                                               | 240,000                | \$ 23.85                                 | 0.63                                                               | 240,000                | \$ 23.85                                 |
| Total              | 5.63                                                               | 3,245,213              | \$ 6.03                                  | 4.65                                                               | 2,312,149              | \$ 7.80                                  |

The following table provides certain information with respect to the above-referenced stock options that are outstanding and exercisable at December 31, 2014:



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| 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 |
| \$2.55 - \$5.00  | 4.26                                                | 645,644          | \$ 3.10                         | 4.06                                                | 183,337          | \$ 4.50                         |
| \$5.01 - \$12.90 | 4.11                                                | 782,584          | \$ 7.45                         | 4.11                                                | 782,584          | \$ 7.45                         |
| \$13.50-\$18.90  | 1.30                                                | 358,336          | \$ 14.17                        | 1.30                                                | 358,336          | \$ 14.17                        |
| \$19.20-\$23.85  | 1.12                                                | 240,000          | \$ 23.85                        | 1.12                                                | 240,000          | \$ 23.85                        |
| Total            | 3.31                                                | 2,026,564        | \$ 9.19                         | 3.00                                                | 1,564,257        | \$ 11.16                        |

The aggregate intrinsic value of stock options outstanding at June 30, 2015 and December 31, 2014, was \$0. Intrinsic value is calculated based on the difference between the exercise price of the underlying awards and the quoted price of our common stock as of the reporting date (\$1.12 and \$1.55 per share as of the close on June 30, 2015 and December 31, 2014, respectively).

We use the historical volatility of our stock price over the number of years that matches the expected life of our stock option grants or we use the historical volatility of our stock price since January 5, 2006, the date we announced that we were becoming a public company, to estimate the future volatility of our stock. At this time we do not believe that there is a better objective method to predict the future volatility of our stock for options with an expected term that is greater than our stock trading history. 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. We have estimated that 1.5% of our option grants will be forfeited prior to vesting.

Assumptions used in the Black Scholes option-pricing model for the six months ended June 30, 2015 and the year ended December 31, 2014, were as follows:

|                                 | Six Months ended June 30, 2015 | Year ended December 31, 2014 |
|---------------------------------|--------------------------------|------------------------------|
| Average risk-free interest rate | 1.46%                          | 1.68%                        |
| Average expected life- years    | 5.5                            | 5.0                          |
| Expected volatility             | 86.78%                         | 90.44%                       |
| Expected dividends              | 0                              | 0                            |

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 market 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. For the three months ended June 30, 2015 and 2014, we recognized stock-based compensation of approximately \$0.7 million and \$0.1 million, respectively. For the six months ended June 30, 2015 and 2014, we recognized stock-based compensation of approximately \$0.8 million and \$0.1 million, respectively. Related income tax benefits were not recognized, as we incurred a tax loss for both years.



**Note 10. 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 JUNE 30, 2015 AND 2014**

|                              | <b>Consulting</b> |             | <b>Technology</b> |             | <b>Corporate and<br/>Eliminations</b> |             | <b>Total</b> |             |
|------------------------------|-------------------|-------------|-------------------|-------------|---------------------------------------|-------------|--------------|-------------|
|                              | <b>2015</b>       | <b>2014</b> | <b>2015</b>       | <b>2014</b> | <b>2015</b>                           | <b>2014</b> | <b>2015</b>  | <b>2014</b> |
| <b>Revenue</b>               | 298,162           | 349,131     | 0                 | 0           | 0                                     | 0           | 298,162      | 349,131     |
| <b>Segment Profit (Loss)</b> |                   |             |                   |             |                                       |             |              |             |
| <b>Pre Tax</b>               | (228,641)         | 2,131       | (394,715)         | (624,448)   | (398,000)                             | (1,128,820) | (1,021,356)  | (1,751,137) |
| <b>Total Assets</b>          | 247,144           | 408,231     | 883,775           | 764,714     | 2,900,566                             | 1,899,181   | 4,031,485    | 3,072,126   |
| <b>Property Additions</b>    | 0                 | 0           | 0                 | 0           | 0                                     | 0           | 0            | 0           |
| <b>Interest Expense</b>      | 0                 | 0           | 0                 | 0           | 0                                     | 0           | 0            | 0           |
| <b>Depreciation</b>          | 0                 | 0           | 0                 | 0           | 0                                     | 0           | 0            | 0           |

**BUSINESS SEGMENT RESULTS SIX MONTHS ENDED JUNE 30, 2015 AND 2014**

|                              | <b>Consulting</b> |             | <b>Technology</b> |             | <b>Corporate and<br/>Eliminations</b> |             | <b>Total</b> |             |
|------------------------------|-------------------|-------------|-------------------|-------------|---------------------------------------|-------------|--------------|-------------|
|                              | <b>2015</b>       | <b>2014</b> | <b>2015</b>       | <b>2014</b> | <b>2015</b>                           | <b>2014</b> | <b>2015</b>  | <b>2014</b> |
| <b>Revenue</b>               | 422,057           | 603,238     | 0                 | 0           | 0                                     | 0           | 422,057      | 603,238     |
| <b>Segment Profit (Loss)</b> |                   |             |                   |             |                                       |             |              |             |
| <b>Pre Tax</b>               | (289,559)         | 83,040      | (607,545)         | (1,056,535) | (5,238)                               | (4,185,894) | (902,342)    | (5,159,389) |
| <b>Total Assets</b>          | 247,144           | 408,231     | 883,775           | 764,714     | 2,900,566                             | 1,899,181   | 4,031,485    | 3,072,126   |
| <b>Property Additions</b>    | 0                 | 0           | 0                 | 0           | 0                                     | 0           | 0            | 0           |
| <b>Interest Expense</b>      | 0                 | 0           | 0                 | 0           | 0                                     | 0           | 0            | 0           |
| <b>Depreciation</b>          | 0                 | 0           | 0                 | 0           | 0                                     | 0           | 0            | 0           |

**Note 11. Fair Value Measurements**

The Company adopted the accounting guidance on fair value measurements for financial assets and liabilities measured on a recurring basis. The guidance requires fair value measurements be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not active or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

The following fair value hierarchy table presents information about each major category of the Company's financial assets and liability measured at fair value on a recurring basis as of June 30, 2015 and December 31, 2014:

| (\$ rounded to nearest thousand) | Fair value measurement using                    |                                                        |                                                    | Total        |
|----------------------------------|-------------------------------------------------|--------------------------------------------------------|----------------------------------------------------|--------------|
|                                  | Quoted prices in<br>active markets<br>(Level 1) | Significant<br>other<br>observable<br>inputs (Level 2) | Significant<br>unobservable<br>inputs<br>(Level 3) |              |
| <b>Balance at June 30, 2015</b>  |                                                 |                                                        |                                                    |              |
| <b>Assets:</b>                   |                                                 |                                                        |                                                    |              |
| Cash and cash equivalents        | \$ 2,371,000                                    | \$                                                     | \$                                                 | \$ 2,371,000 |
| <b>Liabilities:</b>              |                                                 |                                                        |                                                    |              |
| Warrant liability                | \$                                              | \$                                                     | \$ 2,975,000                                       | \$ 2,975,000 |

| (\$ rounded to nearest thousand) | Fair value measurement using                    |                                                        |                                                    | Total        |
|----------------------------------|-------------------------------------------------|--------------------------------------------------------|----------------------------------------------------|--------------|
|                                  | Quoted prices in<br>active markets<br>(Level 1) | Significant<br>other<br>observable<br>inputs (Level 2) | Significant<br>unobservable<br>inputs<br>(Level 3) |              |
| Balance at December 31, 2014     |                                                 |                                                        |                                                    |              |
| Assets:                          |                                                 |                                                        |                                                    |              |
| Cash and cash equivalents        | \$ 4,220,000                                    | \$                                                     | \$                                                 | \$ 4,220,000 |
| Liabilities:                     |                                                 |                                                        |                                                    |              |
| Warrant liability                | \$                                              | \$                                                     | \$ 4,633,000                                       | \$ 4,633,000 |

The reconciliation of warrant liability measured at fair value on a recurring basis using unobservable inputs (Level 3) is as follows:

| (\$ rounded to nearest thousand)          | Warrant Liability |
|-------------------------------------------|-------------------|
| Balance at December 31, 2013              | \$ 1,711,000      |
| Issuance of additional warrants           | 4,416,000         |
| Exercise of warrants                      | (331,000)         |
| Change in fair value of warrant liability | (1,163,000)       |
| Balance at December 31, 2014              | 4,633,000         |
| Issuance of additional warrants           | -                 |
| Exercise of warrants                      | -                 |
| Change in fair value of warrant liability | (1,658,000)       |
| Balance at June 30, 2015                  | \$ 2,975,000      |

The fair value of the warrant liability is based on Level 3 inputs. For this liability, the Company developed its own assumptions that do not have observable inputs or available market data to support the fair value. See Note 8 for further discussion of the warrant liability.

The Company believes that the fair values of its current assets and current liabilities approximate their reported carrying amounts. There were no transfers between Level 1, 2 and 3.

## Note 12. Subsequent Events

On July 8, 2015, we announced the signing of an Umbrella Services Agreement with the Institute for Energy Technology (IFE) of Norway for irradiation testing of Lightbridge advanced metallic nuclear fuel samples under prototypic commercial reactor operating conditions in IFE's Halden research reactor, southeast of Oslo. The project's pre-irradiation scope includes irradiation-rig mechanical design, detailed neutronic and thermal-hydraulic calculations, and safety analyses with necessary regulatory approvals. The initial phase of irradiation testing is expected to begin in 2017 and continue for about three years to reach the burnup necessary for insertion of lead test assemblies (LTAs) in a commercial power reactor. The final phase of irradiation testing necessary for batch reloads and full cores operating

with a 10% power uprate and a 24-month cycle is expected to take an additional two years and be completed while LTAs have begun operating in the core of a commercial power reactor. The IFE umbrella services agreement is valid for 10 years.

## FORWARD-LOOKING STATEMENTS

In addition to historical information, this report contains forward-looking statements within meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act ) Section 21E of the Securities Exchange Act of 1934 (the Exchange Act ). All statements other statements of historical fact are statements that could be deemed forward-looking statements. We use words such as believe , expect , anticipate , project , target , plan , optimis aim , will , or similar expressions which are intended to identify forward-looking statements. 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) statements of the plans, strategies and objectives of management for future operations, (4) statements regarding future economic conditions or performance, (5) uncertainties related conducting business in foreign countries, as well as (6) 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 assumptions that if they were to ever materialize or prove incorrect, could cause the results of 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,
- 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 our intellectual property,
- potential and contingent liabilities,
- other factors described elsewhere in this report and our other reports filed with the SEC.

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.

## 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 financial condition and our present business environment. MD&A is provided as a supplement to, and should be read in conjunction with, our 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 two years presented in our condensed consolidated 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; an overview of our financial position.

As discussed in more detail under Forward-Looking Statements above, 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.

### Restatement

This MD&A has been amended and restated to give effect to the restatement of our consolidated financial statements and related disclosures as of and for the three months and six months ended June 30, 2015 and 2014. The Company is restating its historical financial results for such periods to reclassify its warrants as derivative liabilities instead of equity on the Company's balance sheets, with changes to the fair market value of the issuance of the warrants in subsequent periods reported in the Company's statement of operations. The impact of the restatement is more fully described in Note 2 to the condensed consolidated financial statements contained elsewhere in this Quarterly Report.

## OVERVIEW OF OUR BUSINESS

We are a leading nuclear fuel technology company, and participate in the nuclear power industry in the US and internationally. Our business operations can be categorized into two segments: (i) our technology segment, which is a developer of next generation nuclear fuel technology, and (ii) our consulting segment, which provides nuclear power consulting and strategic advisory services to commercial and governmental entities worldwide, both in nuclear power generation and nuclear regulation.

### *Technology Business Segment*

Our primary business segment, based on future revenue potential, is the development of innovative, proprietary nuclear fuel designs which we expect will significantly enhance the nuclear power industry's economics and increase power output. We are currently focusing our development efforts primarily on the metallic fuel with a power uprate of up to 10% and a 24-month operating cycle in existing Westinghouse-type four-loop pressurized water reactors.

On July 8, 2015, we entered into a binding services agreement with the Institute for Energy Technology (IFE) of Norway for irradiation testing of our advanced metallic nuclear fuel samples under prototypic commercial reactor operating conditions in IFE's Halden research reactor, southeast of Oslo. The irradiation tests are intended to generate

data needed to support licensing of our fuel by the U.S. Nuclear Regulatory Commission and ultimate deployment by nuclear utilities in commercial reactors around the world. IFE is in the process of applying to the Norwegian authorities for regulatory approval to conduct the experiments for Lightbridge. The agreement represents a significant step toward on-schedule, lead test assembly demonstration of our advanced metallic nuclear fuel in a commercial power reactor in approximately 2021.

On May 18, 2015 the NRC made public on its website a letter from four nuclear utilities formally expressing interest in Lightbridge fuel in order to assist the NRC in preparing to review the fuel design for regulatory licensing purposes, citing opportunities for this fuel product to "significantly improve safety and fuel cycle economics" of nuclear power plants. The NRC relies on communications from U.S. utilities to adjust Commission staffing levels and budgets in anticipation of regulatory review of licensing applications. These four utilities continue to advise Lightbridge on our nuclear fuel program, recently expanding their support to include expert technical advice in the area of NRC regulatory licensing activities. We expect to restart our discussions with the NRC later this year in preparation for regulatory licensing approval of lead test assembly operation with our metallic fuel in commercial reactors in the United States in the 2020-2021 timeframe.

On October 20, 2014, we announced an Initial Cooperation Agreement with Canadian Nuclear Laboratories (CNL) to produce our nuclear fuel samples. We are currently finalizing a comprehensive nuclear services agreement (CNSA) with CNL for manufacture of the fuel samples that we expect to sign soon. The first major deliverable under the CNSA will be a fuel sample fabrication plan that we expect will be completed later this year, with actual manufacturing of nuclear fuel samples expected to be completed in late 2016.

In addition to the above major fuel development and commercialization efforts, we have been meeting with large companies that fabricate nuclear fuel for the global market. We have planned to have a teaming agreement in place with one of these companies in 2017-2018 but current progress may lead to such an arrangement sooner than that.

#### *Consulting Business Segment*

Our consulting business segment consists of assisting commercial and governmental entities with developing and expanding their nuclear industry capabilities and infrastructure. We provide integrated strategic advice across a range of expertise areas including, for example, regulatory development, nuclear reactor site selection, procurement and deployment, reactor and fuel technology, international relations and regulatory affairs. Our consulting services are expert and relationship-based, with particular emphasis on key decision makers in senior positions within governments or companies, as well as focus on overall management of nuclear energy programs. To date, substantially all of our revenues have been derived from our consulting business segment, which primarily provides nuclear consulting services to entities within the United Arab Emirates, our first significant consulting and strategic advisory client. The future revenue to be earned and recognized will depend upon agreed upon work plans, which can differ from the revenue amounts initially planned to be earned under these agreements. While the Company continues to provide consulting services pursuant to existing agreements, the Company has not entered into any additional material agreements in 2015, and the revenues from the consulting business segment have declined when compared to prior years.

#### *Economics of Nuclear Power*

In certain markets with a diversified energy base, decisions on new build power plants are largely affected by the economics of various energy sources. If prices of non-nuclear energy sources, in particular natural gas, fall below or remain below the cost of electricity from new nuclear generation facilities, it could limit the deployment of new build nuclear power plants in such markets. This could reduce the size of the potential markets for our fuel technology. If prices or production costs of non-nuclear energy increase, there may be increased demand for the deployment of new build nuclear power plants.

### **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/A filed on November 23, 2015, incorporated herein by reference. There have been no significant changes in our critical accounting policies and estimates during the six months ended June 30, 2015.

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.

**OPERATIONS REVIEW**

*Business Segments and Periods Presented*

We have provided a discussion of our results of operations on a consolidated basis and have also provided certain detailed segment information for each of our business segments below for the three months and six months ended June 30, 2015 and 2014, 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. Refer to Note 10 of the Notes to our Condensed Consolidated Financial Statements for the presentation of our business segments financials for the above mentioned reporting periods.

*Technology Business*

Over the next 12 to 15 months, we expect to incur approximately \$3 million in research and development expenses related to the development of our proprietary nuclear fuel designs. We spent approximately \$0.4 million and \$0.6 million for research and development during the three months ended June 30, 2015 and 2014, respectively. We spent approximately \$0.6 million and \$1.1 million for research and development during the six months ended June 30, 2015 and 2014, respectively.

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.

*Consulting Services Business*

At the present time, all of our revenue for the three months and six months ended June 30, 2015 and 2014 is from our consulting services business segment and is derived by offering services to governments outside of the US planning to create or expand electricity generation capabilities using nuclear power plants. 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.

***Consolidated Results of Operations Three Months Ended June 30, 2015 and 2014- restated***

The following table presents our restated historical operating results as a percentage of revenues for the three month periods ended June 30, 2015 and June 30, 2014:

|                                   | 2015           | 2014           | (Decrease)<br>Change \$ | (Decrease)<br>Change % |
|-----------------------------------|----------------|----------------|-------------------------|------------------------|
| <b>Consulting Revenues</b>        | \$ 298,162     | \$ 349,131     | \$ (50,969)             | -15%                   |
| <b>Cost of services</b>           |                |                |                         |                        |
| Consulting expenses               | \$ 275,662     | \$ 230,974     | \$ 44,688               | 19%                    |
| % of total revenues               | 92%            | 66%            |                         |                        |
| <b>Gross profit</b>               | \$ 22,500      | \$ 118,157     | \$ (95,657)             | -81%                   |
| % of total revenues               | 8%             | 34%            |                         |                        |
| <b>Operating Expenses</b>         |                |                |                         |                        |
| General and                       | \$ 1,108,807   | \$ 1,149,420   | \$ (40,613)             | -4%                    |
| % of total revenues               | 372%           | 386%           |                         |                        |
| Research and development expenses | \$ 394,715     | \$ 624,448     | \$ (229,733)            | -37%                   |
| % of total revenues               | 132%           | 179%           |                         |                        |
| <b>Total Operating Loss</b>       | \$ (1,481,022) | \$ (1,655,711) | \$ (174,689)            | -11%                   |
| % of total revenues               | -497%          | -474%          |                         |                        |
| <b>Other Income and (Expense)</b> | \$ 459,666     | \$ (95,426)    | \$ 555,092              | -582%                  |
| % of total revenues               | 154%           | -27%           |                         |                        |
| <b>Net loss</b>                   | \$ (1,021,356) | \$ (1,751,137) | \$ 729,781              | -42%                   |
| % of total revenues               | -343%          | -501%          |                         |                        |

*Revenue*

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

|                              | Three Months Ended<br>June 30, |     |      |     |
|------------------------------|--------------------------------|-----|------|-----|
|                              | 2015                           |     | 2014 |     |
| Consulting Segment Revenues: |                                |     |      |     |
| ENEC and FANR (UAE)          | \$                             | 0.2 | \$   | 0.2 |
| Other (other countries)      |                                | 0.1 |      | 0.1 |
| Total                        |                                | 0.3 |      | 0.3 |
| Technology Segment Revenues  |                                | 0.0 |      | 0.0 |
| Total Revenues               | \$                             | 0.3 | \$   | 0.3 |

The decrease in our revenues in 2015 from 2014 resulted from the net decrease in the work performed for our FANR and ENEC projects. Our consulting projects with ENEC and FANR are being performed pursuant to ongoing requests to work on specific projects on a time and expense basis as needed. The FANR contract was extended to December 31, 2016. The ENEC contract has been extended through 2015. The future revenue to be earned and recognized under both the ENEC and FANR agreements will depend upon agreed upon work plans that are under current discussion, which can differ from the revenue amounts initially planned to be earned under these agreements.

The market for nuclear industry consulting services is competitive, fragmented, and subject to rapid change. We believe that our independence, experience, expertise, reputation and segment focus enable us to compete effectively in this marketplace.

See Note 1 and Note 4 of the Notes to our Condensed Consolidated Financial Statements included in Part I Item 1 of this Quarterly Report on Form 10-Q/A for additional information about our revenue.

### *Costs and Expenses*

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

|            |        | Three Months Ended<br>June 30, |      |
|------------|--------|--------------------------------|------|
|            | 2015   |                                | 2014 |
| Consulting | \$ 0.3 | \$                             | 0.2  |
| Technology | 0.0    |                                | 0.0  |
| Total      | \$ 0.3 | \$                             | 0.2  |

### *Cost of Services Provided*

The increase in cost of services provided is due to the increase in stock-based compensation issued to our employees working on our consulting projects of approximately \$0.2 million. This increase was offset by a decrease in revenue resulting in a decrease in our cost of services provided. Cost of services provided is comprised of expenses related to the consulting, professional, administrative, and other support costs and stock-based compensation allocated to our technology and consulting projects, which were incurred to perform and support the work done for our consulting projects with ENEC, FANR and our other contracts. The billing rates to us from our consultants who provide services under our consulting contracts predominantly remained the same in 2015 and 2014. If consulting revenues increase in future periods, we expect cost of services provided will increase in dollar amount and may increase as a percentage of revenues due to increased pricing competition for consulting contracts.

Total reported gross profit margin for the three months ended June 30, 2015 was 8% compared to 34% for the three months ended June 30, 2014. The primary reason for the decrease is due to the allocation of \$0.2 million of stock-based compensation to the consulting business segment cost of services provided for the three months ended June 30, 2015. See Note 1 and Note 4 of the Notes to our Condensed Consolidated Financial Statements included in Part I Item 1 of this Quarterly Report on Form 10-Q/A for additional information about our cost of services provided.

See Note 9 of the Notes to our Condensed Consolidated Financial Statements included in Part I Item 1 of this Quarterly Report on Form 10-Q/A for additional information about our stock-based compensation.

### *Research and Development*

The following table presents our research and development expenses, (rounded to the nearest million):

Three Months Ended  
June 30,

2015

2014

|                                   |    |     |    |     |
|-----------------------------------|----|-----|----|-----|
| Research and development expenses | \$ | 0.4 | \$ | 0.6 |
|-----------------------------------|----|-----|----|-----|

Research and development expenses consist mostly of compensation and related costs for personnel responsible for the research and development of our fuel. The decrease of \$0.2 million in 2015 was primarily due to a decrease in research and development labor costs of approximately \$0.3 million and decrease in rent expense of \$0.1 million. This decrease was offset by an increase in stock-based compensation costs of \$0.2 million. Total stock-based compensation, included in research and development expenses, was \$0.2 million and \$0.0 million for the three months ended June 30, 2015 and June 30, 2014, respectively. Total research and development expenses, without including stock-based compensation expense, was approximately \$0.2 million and \$0.6 million for the three months ended June 30, 2015 and June 30, 2014, respectively.

All of our research and development activities were conducted in Russia and the United States. We expense research and development costs as they are incurred.

Research and development expenses will increase in dollar amount and may increase as a percentage of revenues in future periods because we expect to invest \$3 million in the development of our nuclear fuel products over the next 12-15 months.

See Note 7 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.

### *General and Administrative Expenses*

The following table presents our general and administrative expenses, (rounded to the nearest million):

|                                     | Three Months Ended<br>June 30, |        |
|-------------------------------------|--------------------------------|--------|
|                                     | 2015                           | 2014   |
| General and administrative expenses | \$ 1.1                         | \$ 1.1 |

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.

The general and administrative expenses remained the same. There was an increase in stock-based compensation of \$0.2 million. This increase was offset by a decrease in payroll expenses and payroll related benefits of \$0.1 million, which was due to a decrease in employees due to staff reductions and a decrease in consulting and professional fees of \$0.1 million. Total stock-based compensation, included in general and administrative expenses, was \$0.3 million and \$0.1 million for the three months ended June 30, 2015 and June 30, 2014, respectively. Total general and administrative expenses, without including stock-based compensation expense, was \$0.8 million and \$1.0 million for the three months ended June 30, 2015 and June 30, 2014, respectively, a decrease of \$0.2 million.

See Note 9 of the Notes to our Condensed Consolidated Financial Statements included in Part 1 Item 1 of this Quarterly Report on Form 10-Q/A for information regarding our stock-based compensation.

### *Other Income (Expenses), Net*

Other income and expenses, for the three months ended June 30, 2015 as compared to the three months ended June 30, 2014, was substantially the same.

### **Change in Revaluation of Warrant Liability**

During three months ended June 30, 2015 and 2014, we recorded non-cash income of \$0.5 million and non-cash expense of \$0.1 million, respectively, for warrant revaluation in our statements of operations due to a change in the fair value of the warrant liability as a result of a change in our stock price and a change in the contractual life of the warrants.

See Note 8 of the Notes to our Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q/A for information regarding our warrant liability.

### *Provision for Income Taxes*

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The following table presents our provision for income taxes. Our effective tax rate for the periods presented is 38%.

|                            | Three Months Ended<br>June 30, |        |
|----------------------------|--------------------------------|--------|
|                            | 2015                           | 2014   |
| Provision for income taxes | \$ 0.0                         | \$ 0.0 |

We incurred a net loss for both 2015 and 2014, and took a 100% valuation allowance against all deferred tax assets. Therefore we did not have a provision for taxes for both the three months ended June 30, 2015 and 2014.

**Consolidated Results of Operations Six Months Ended June 30, 2015 and 2014- restated**

The following table presents our historical operating results as a percentage of revenues for the six month periods ended June 30, 2015 and June 30, 2014:

|                                   | 2015           | 2014           | (Decrease)<br>Change \$ | (Decrease)<br>Change % |
|-----------------------------------|----------------|----------------|-------------------------|------------------------|
| <b>Consulting Revenues</b>        | \$ 422,057     | \$ 603,238     | \$ (181,181)            | -30%                   |
| <b>Cost of services</b>           |                |                |                         |                        |
| Consulting expenses               | \$ 333,054     | \$ 355,986     | \$ (22,932)             | -6%                    |
| % of total revenues               | 43%            | 59%            |                         |                        |
| <b>Gross profit</b>               | \$ 89,003      | \$ 247,252     | \$ (158,249)            | -64%                   |
| % of total revenues               | 21%            | 41%            |                         |                        |
| <b>Operating Expenses</b>         |                |                |                         |                        |
| General and administrative        | \$ 2,039,100   | \$ 2,280,839   | \$ (241,739)            | -11%                   |
| % of total revenues               | 483%           | 378%           |                         |                        |
| Research and development expenses | \$ 607,545     | \$ 1,056,434   | \$ (448,889)            | -42%                   |
| % of total revenues               | 144%           | 175%           |                         |                        |
| <b>Total Operating Loss</b>       | \$ (2,557,642) | \$ (3,090,021) | \$ (532,379)            | -17%                   |
| % of total revenues               | -606%          | -512%          |                         |                        |
| Other Income and (Expense)        | \$ 1,655,300   | \$ (2,069,368) | \$ 3,724,668            | -180%                  |
| % of total revenues               | 392%           | -343%          |                         |                        |
| <b>Net loss</b>                   | \$ (902,342)   | \$ (5,159,359) | \$ 4,257,047            | -83%                   |
| % of total revenues               | -214%          | -855%          |                         |                        |

**Revenue**

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

|                                     | Six Months Ended<br>June 30, |        |
|-------------------------------------|------------------------------|--------|
|                                     | 2015                         | 2014   |
| <b>Consulting Segment Revenues:</b> |                              |        |
| ENEC and FANR (UAE)                 | \$ 0.2                       | \$ 0.5 |
| Other (other countries)             | 0.2                          | 0.1    |
| <b>Total</b>                        | 0.4                          | 0.6    |
| <b>Technology Segment Revenues</b>  | 0.0                          | 0.0    |
| <b>Total Revenues</b>               | \$ 0.4                       | \$ 0.6 |

The decrease in our revenues in 2015 from 2014 of \$0.2 million resulted from the net decrease in the work performed for our FANR and ENEC projects of approximately \$0.3 million. This decrease was partially offset by an increase in our consulting revenues from other customer of approximately \$0.1 million. Our consulting projects with ENEC and FANR are being performed pursuant to ongoing requests to work on specific projects on a time and expense basis as needed. The FANR contract was extended to December 31, 2016. The ENEC contract has been extended through 2015. The future revenue to be earned and recognized under both the ENEC and FANR agreements will depend upon agreed upon work plans that are under current discussion, which can differ from the revenue amounts initially planned



to be earned under these agreements.

The market for nuclear industry consulting services is competitive, fragmented, and subject to rapid change. We believe that our independence, experience, expertise, reputation and segment focus enable us to compete effectively in this marketplace.

See Note 1 and Note 4 of the Notes to our Condensed Consolidated Financial Statements included in Part I Item 1 of this Quarterly Report on Form 10-Q/A for additional information about our revenue.

*Costs and Expenses*

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

|            | Six Months Ended<br>June 30, |        |
|------------|------------------------------|--------|
|            | 2015                         | 2014   |
| Consulting | \$ 0.3                       | \$ 0.4 |
| Technology | 0.0                          | 0.0    |
| Total      | \$ 0.3                       | \$ 0.4 |

*Cost of Services Provided*

The decrease in cost of services provided is due to the decrease in revenue, partially offset by an increase in the allocation of stock-based compensation. Cost of services provided is comprised of expenses related to the consulting, professional, administrative, and other support costs and stock-based compensation allocated to our technology and consulting projects, which were incurred to perform and support the work done for our consulting projects with ENEC, FANR and our other contracts. The billing rates to us from our consultants who provide services under our consulting contracts predominantly remained the same in 2015 and 2014. If consulting revenues increase in future periods, we expect cost of services provided will increase in dollar amount and may increase as a percentage of revenues due to increased pricing competition for consulting contracts.

Total reported costs of services provided were \$0.3 million, which includes stock-based compensation of \$0.2 million. Total reported gross profit margin for the six months ended June 30, 2015 was 21% compared to 41% for the six months ended June 30, 2014. The primary reason for the decrease is due to the allocation of \$0.2 million of stock-based compensation to the consulting business segment cost of services provided for the six months ended June 30, 2015.

See Note 1 and Note 4 of the Notes to our Condensed Consolidated Financial Statements included in Part I Item 1 of this Quarterly Report on Form 10-Q/A for additional information about our cost of services provided.

See Note 9 of the Notes to our Condensed Consolidated Financial Statements included in Part I Item 1 of this Quarterly Report on Form 10-Q/A for additional information about our stock-based compensation.

*Research and Development*

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

|                                   | Six Months Ended<br>June 30, |        |
|-----------------------------------|------------------------------|--------|
|                                   | 2015                         | 2014   |
| Research and development expenses | \$ 0.6                       | \$ 1.1 |

Research and development expenses consist mostly of compensation and related costs for personnel responsible for the research and development of our fuel. The decrease of \$0.5 million in 2015 was due to a decrease in research and development labor costs of \$0.5 million, a decrease in office rent of \$0.1 million and a decrease in other research and development expenses of \$0.1 million. This decrease was offset by an increase in stock-based compensation of \$0.2 million. Total stock-based compensation, included in research and development expenses, was \$0.2 million and \$0.0 million for the six months ended June 30, 2015 and June 30, 2014, respectively. Total research and development

expenses, without including stock-based compensation expense, was approximately \$0.4 million and \$1.1 million for the six months ended June 30, 2015 and June 30, 2014, respectively.

All of our research and development activities were conducted in Russia and the United States. We expense research and development costs as they are incurred.

Research and development expenses will increase in dollar amount and may increase as a percentage of revenues in future periods because we expect to invest \$3 million in the development of our nuclear fuel products over the next 12-15 months.

See Note 7 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.

*General and Administrative Expenses*

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

|                                     |    | Six Months Ended<br>June 30, |    |      |
|-------------------------------------|----|------------------------------|----|------|
|                                     |    | 2015                         |    | 2014 |
| General and administrative expenses | \$ | 2.0                          | \$ | 2.3  |

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.

The general and administrative expenses decrease of \$0.3 million was due to a decrease in payroll expenses and payroll related benefits of \$0.3 million, which was due to a decrease in employees due to staff reductions; a decrease in consulting and professional fees of \$0.2 million and a decrease in travel expenses of 0.1 million. This decrease was offset by an increase in stock-based compensation of \$0.3 million. Total stock-based compensation, included in general and administrative expenses, was \$0.4 million and \$0.1 million for the six months ended June 30, 2015 and June 30, 2014, respectively. Total general and administrative expenses, without including stock-based compensation expense, was approximately \$1.6 million and \$2.2 million for the six months ended June 30, 2015 and June 30, 2014, respectively, a decrease of \$0.6 million.

See Note 9 of the Notes to our Condensed Consolidated Financial Statements included in Part 1 Item 1 of this Quarterly Report on Form 10-Q/A for information regarding our stock-based compensation.

*Other Income (Expenses), Net*

Other income and expenses, for the six months ended June 30, 2015 as compared to the six months ended June 30, 2014, was substantially the same.

**Change in Revaluation of Warrant Liability**

During six months ended June 30, 2015 and 2014, we recorded non-cash income of \$1.7 million and non-cash expense of \$2.1 million, respectively, for warrant revaluation in our statements of operations due to a change in the fair value of the warrant liability as a result of a change in our stock price and a change in the contractual life of the warrants.

See Note 8 of the Notes to our Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q/A for information regarding our warrant liability.

*Provision for Income Taxes*

The following table presents our provision for income taxes. Our effective tax rate for the periods presented is 38%.

|                            |    | Six Months Ended<br>June 30, |    |      |
|----------------------------|----|------------------------------|----|------|
|                            |    | 2015                         |    | 2014 |
| Provision for income taxes | \$ | 0.0                          | \$ | 0.0  |

We incurred a net loss for both 2015 and 2014, and took a 100% valuation allowance against all deferred tax assets. Therefore we did not have a provision for taxes for both the six months ended June 30, 2015 and 2014.

## **LIQUIDITY, CAPITAL RESOURCES AND FINANCIAL POSITION**

As of June 30, 2015, we had total cash and cash equivalents and restricted cash of approximately \$2.4 million. Our working capital at June 30, 2015, was approximately \$2.7 million. Our monthly cash flow shortfall, based on our current operations, is averaging approximately \$300,000 per month. Based on our June 30, 2015 working capital amount and our current projected monthly operating cash flow shortfall, our current working capital is not sufficient to fund our operations for the next 12 months. We are working to reduce our monthly cash flow shortfall and are also seeking new sources of financing. We may delay incurring some operating expenses, which will reduce our cash flow shortfall for the next 12 months, if needed. We have also put in place an ATM equity financing line and we expect a potential equity financing commitment to be made available to us in 2015 to fund our future research and development expenses and overhead expenses. Based on the ATM equity financing line and future potential equity financing, we expect to have sufficient working capital for the next 12 months of operations. The following table provides detailed information about our net cash flow for the six month financial statement periods presented in this Report.

*Cash Flow (rounded in millions)*

|                                       | Six Months Ended<br>June 30, |          |
|---------------------------------------|------------------------------|----------|
|                                       | 2015                         | 2014     |
| Net cash used in operating activities | \$ (1.8)                     | \$ (2.6) |
| Net cash used in investing activities | \$ (0.0)                     | \$ (0.1) |
| Net cash used in financing activities | \$ (0.0)                     | \$ (0.0) |
| Net cash outflow                      | \$ (1.8)                     | \$ (2.7) |

The primary potential sources of cash available to us are equity investments and new consulting contracts. We have no debt or bank credit lines and we have financed our operations to date through our consulting revenue and the sale of our common stock.

### *Operating Activities*

The decrease in our cash used in operating activities in 2015 was primarily due to the decrease in our operating expenses in 2015, as explained above in the consolidated results of operations for the six months ended June 30, 2015 and 2014 and the change in working capital items as explained below.

Cash used in operating activities in the six months ended June 30, 2015, consisted of net loss adjusted for non-cash (income) expense items such as stock-based compensation and warrant revaluation, as well as the effect of changes in working capital. Cash used in operating activities for the six months ended June 30, 2015, consisted of a net loss of \$0.9 million and net adjustments for non-cash (income) expense items totaling \$(0.9) million, consisting of stock-based compensation of \$0.8 million and warrant revaluation of \$(1.7) million. Total cash provided by (used in) working capital was not significant.

Cash used in operating activities for the six months ended June 30, 2014, consisted of net loss adjusted for non-cash (income) expense items such as stock-based compensation and warrant revaluation, as well as the effect of changes in working capital. Cash used in operating activities for the six months ended June 30, 2014, consisted of a net loss of \$5.2 million and net adjustments for non-cash (income) expense items totaling \$2.2 million, consisting of stock-based compensation of \$0.1 million and a warrant revaluation of \$2.1 million. Total cash provided by working capital totaled \$0.4 million. The cash provided by working capital was due to a net increase in accounts payable, accrued expenses and other current liabilities of \$0.5 million. This increase was offset by an increase in prepaid expenses and other assets of \$0.1 million.

### *Investing Activities*

Net cash used by our investing activities for the six months ended June 30, 2015, as compared to net cash used by our investing activities in 2014 are substantially the same. Patent applications costs are also part of our investing activities. These applications are filed for the new developments resulting from our research and development activities in our technology business segment. We anticipate these patent costs to increase in the future periods due to the continuing research and development work we plan to perform on our all-metal fuel design.

### *Financing Activities*

Net cash used by our financing activities for the six months ended June 30, 2015, as compared to net cash used by our financing activities for the six months ended June 30, 2014 are substantially the same. We incurred approximately \$42,000 in stock offering costs by putting in place our ATM financing.

On June 11, 2015, we entered into an ATM issuance sales agreement with MLV & Co. LLC, pursuant to which the Company may issue and sell shares of its common stock from time to time through MLV as the Company's sales

agent, up to a maximum amount of approximately \$0.5 million. Sales of the Company's common stock through MLV, 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, including sales made directly on The NASDAQ Stock Market, on any other existing trading market for the common stock or to or through a market maker. MLV may also sell the common stock in privately negotiated transactions, subject to the Company's prior approval. There have been no stock sales through the ATM as of June 30, 2015 and through the date of issuance of the accompanying Condensed Consolidated Financial Statements.

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

We will 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 by selling shares of our common stock through the ATM and other equity offerings;
2. Strategic investment through alliances with major fuel vendors, fuel fabricators and/or other strategic parties during the next three years, to support the remaining research and development activities required to further enhance and complete the development of our fuel products to a commercial stage; and
3. New consulting contracts.

In support of our long-term business plan with respect to our fuel technology business, we endeavor to create strategic alliances with major fuel vendors, fuel fabricators and/or other strategic parties during the next two years, to support the remaining research and development activities 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.

Although we anticipate securing new consulting work from one or more of these prospects, we cannot determine as of the date of this filing if and when a new consulting contract will be awarded to us. If we do not enter into any new consulting or strategic technology agreements to provide working capital to support our business plan regarding our planned research and development activities for developing our fuel designs, we will need to raise additional capital in 2015 by way of an offering of equity securities, an offering of debt securities, a financing through a bank, or a strategic alliance with another entity, options which we are currently exploring. We believe that if we are awarded new consulting contracts, the margin earned on these new contracts will favorably impact our short-term and long-term liquidity and will supplement some of the funding required for our anticipated research and development expenses of our nuclear fuel technologies of \$3 million over the next 12-15 months.

### **Off Balance Sheet Arrangements**

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

### **Seasonality**

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

### **Inflation**

Our business, revenues, and operating results have not been affected in any material way by inflation.

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

**Not Required.**

## **ITEM 4. CONTROLS AND PROCEDURES.**



***Evaluation of Disclosure Controls and Procedures***

As required by Rule 13a-15 under the Exchange Act, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as of the end of the period covered by this report on Form 10-Q/A. This evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of the end of the period covered by this report, our disclosure controls and procedures are not effective to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to management (including our Chief Executive Officer and Chief Financial Officer) to allow timely decisions regarding required disclosure and that our disclosure controls and procedures are effective to give reasonable assurance that the information required to be disclosed by us in reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC.

At the time that our Quarterly Report on Form 10-Q for the quarters ended June 30, 2015 and 2014 was filed on August 19, 2015, our Chief Executive Officer and Chief Financial Officer concluded that our internal control over financial reporting was effective as of June 30, 2015. Subsequent to that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that we did not maintain effective internal control over financial reporting as of June 30, 2015 because of a material weakness in our internal control over financial reporting described below related to accounting for warrants. Notwithstanding the material weakness described above, management has concluded that our condensed consolidated financial statements for the periods included in this Quarterly Report on Amended Form 10-Q/A are fairly stated in all material respects in accordance with generally accepted accounting principles for each of the periods presented herein.

To respond to this material weakness, we have devoted, and plan to continue to devote, significant effort and resources to the remediation and improvement of our internal control over financial reporting. While we have processes to identify and intelligently apply developments in accounting, we plan to enhance these processes to better evaluate our research and understanding of the nuances of increasingly complex accounting standards. Our plans at this time include providing enhanced access to accounting literature, research materials and documents and increased communication among our personnel and third party professionals with whom we consult regarding complex accounting applications. The elements of our remediation plan can only be accomplished over time and we can offer no assurance that these initiatives will ultimately have the intended effects.

#### ***Changes in Internal Control 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, not absolute, assurance of achieving the desired control objectives. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. 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.

## **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. For a description of legal proceedings involving the Company, see the information set forth under **Litigation** in Note 6, **Commitments and Contingencies**, of the Notes to our Condensed Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q/A.

### **ITEM 1A. RISK FACTORS**

**We have identified a material weakness in our internal control over financial reporting. This material weakness could continue to adversely affect our ability to report our results of operations and financial condition accurately and in a timely manner.**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with U.S. generally accepted accounting principles ( **GAAP** ). Our management is likewise required, on a quarterly basis, to evaluate the effectiveness of our internal controls and to disclose any changes and material weaknesses in those internal controls. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

As described elsewhere in this Quarterly Report on Form 10-Q/A, we identified a material weakness in our internal control over financial reporting related to our previous interpretation of ASC 815 and our initial classification and

subsequent accounting of warrants as either liabilities or equity instruments. As a result of this material weakness, our management concluded that our internal control over financial reporting was not effective as of June 30, 2015. This material weakness resulted in a misstatement of our liabilities, non-cash expense relating to the changes in fair value of common stock warrants, additional paid-in capital, accumulated deficit accounts and related financial disclosures.

To respond to this material weakness, we have devoted, and plan to continue to devote, significant effort and resources to the remediation and improvement of our internal control over financial reporting. While we have processes to identify and intelligently apply developments in accounting, we plan to enhance these processes to better evaluate our research and understanding of the nuances of increasingly complex accounting standards. Our plans at this time include providing enhanced access to accounting literature, research materials and documents and increased communication among our personnel and third party professionals with whom we consult regarding complex accounting applications. The elements of our remediation plan can only be accomplished over time and we can offer no assurance that these initiatives will ultimately have the intended effects. For a discussion of management's consideration of the material weakness identified, related to our warrant accounting, see Note 2, "Restatement of Previously Issued Condensed Consolidated Financial Statements" to the condensed consolidated financial statements, as well as Part I, Item 4, "Controls and Procedures" included in this amended Quarterly Report on Form 10-Q/A.

Any failure to maintain such internal controls could adversely impact our ability to report our financial results on a timely and accurate basis. If our financial statements are not accurate, investors may not have a complete understanding of our operations. Likewise, if our financial statements are not filed on a timely basis as required by the SEC and NASDAQ, we could face severe consequences from those authorities. In either case, there could result a material adverse effect on our business. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock. We can give no assurance that the measures we have taken and plan to take in the future will remediate the material weaknesses identified or that any additional material weaknesses or restatements of financial results will not arise in the future due to a failure to implement and maintain adequate internal control over financial reporting or circumvention of these controls. In addition, even if we are successful in strengthening our controls and procedures, in the future those controls and procedures may not be adequate to prevent or identify irregularities or errors or to facilitate the fair presentation of our consolidated financial statements.

In addition to the information set forth in this Form 10-Q/A, you should carefully consider the risk factors discussed in Part II, Item 1A of the Company's Form 10-Q/A for the quarter ended March 31, 2015.

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

None

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable

## ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

## ITEM 5. OTHER INFORMATION

Not Applicable

## ITEM 6. EXHIBITS

| <i>Exhibit Number</i> | <i>Description</i>                                                                                                                                                                                                                                                |
|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.1                  | At-the-Market Issuance Sales Agreement, dated June 11, 2015, by and between Lightbridge Corporation and MLV & Co. LLC (incorporated by reference to Exhibit 1.2 to the Company's registration statement on Form S-3 filed on June 11, 2015, File No. 333-204889). |
| <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

\* Furnished herewith.

**SIGNATURES**

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

Date: November 23, 2015

**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)

**EXHIBIT INDEX**

| <b><i>Exhibit Number</i></b> | <b><i>Description</i></b>                                                                                                                                                                                                                                         |
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| <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                                                                                                                                                                                                            |

\* Furnished herewith.