

LIGHTBRIDGE Corp  
Form 10-Q  
May 08, 2014

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

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended: **March 31, 2014**

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 any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§

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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 April 21, 2014 is as follows:

<u>Class of Securities</u>	<u>Shares Outstanding</u>
Common Stock, \$0.001 par value	15,071,536

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**LIGHTBRIDGE CORPORATION**  
**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2014 AND 2013**

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**PART I FINANCIAL INFORMATION**

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

	<b>March 31, 2014 (Unaudited)</b>	<b>December 31, 2013</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,177,072	\$ 3,672,877
Marketable securities	16,165	15,731
Restricted cash	555,187	555,008
Accounts receivable - project revenue and reimbursable project costs	507,738	425,916
Prepaid expenses & other current assets	461,876	288,939
Total Current Assets	3,718,038	4,958,471
Property Plant and Equipment -net	-	-
<b>Other Assets</b>		
Patent costs - net	725,588	699,168
<b>Total Assets</b>	<b>\$ 4,443,626</b>	<b>\$ 5,657,639</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 636,742	\$ 476,628
Total Current Liabilities	636,742	476,628
Commitments and contingencies		
<b>Stockholders' Equity</b>		
Preferred stock, \$0.001 par value, 50,000,000 authorized shares, no shares issued and outstanding	-	-
Common stock, \$0.001 par value, 500,000,000 authorized, 15,064,069 shares outstanding and 15,057,243 shares outstanding at March 31, 2014 and December 31, 2013, respectively	15,064	15,057
Additional paid in capital - stock and stock equivalents	76,303,552	76,243,764
Deficit	(72,511,732)	(71,077,810)
Total Stockholders' Equity	3,806,884	5,181,011
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 4,443,626</b>	<b>\$ 5,657,639</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</b>	
	<b>March 31,</b>	
	<b>2014</b>	<b>2013</b>
Revenue:		
Consulting Revenue	\$ 254,107	\$ 515,950
Cost of Consulting Services Provided	125,012	284,337
Gross Margin	129,095	231,613
Operating Expenses		
General and administrative	1,131,419	881,778
Research and development expenses	431,986	643,273
Total Operating Expenses	1,563,405	1,525,051
Operating Loss	(1,434,310)	(1,293,438)
Other Income and (Expenses)		
Investment income	388	15,556
Other income (expenses)	-	(1,040)
Total Other Income and (Expenses)	388	14,516
Net loss before income taxes	(1,433,922)	(1,278,922)
Income taxes	-	-
Net loss	\$ (1,433,922)	\$ (1,278,922)
Net Loss Per Common Share, Basic and Diluted	\$ (0.10)	\$ (0.10)
Weighted Average Number of Shares Outstanding	15,058,163	12,529,045

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

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

	<b>Three Months Ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>Operating Activities:</b>		
Net Loss	\$ (1,433,922)	\$ (1,278,922)
Adjustments to reconcile net loss from operations to net cash used in		
Stock-based compensation	59,796	147,163
Depreciation and amortization	-	6,119
(Gains) loss on marketable securities	(434)	3,359
Changes in non-cash operating working capital items:		
Accounts receivable - fees and reimbursable project costs	(81,822)	183,690
Prepaid expenses and other assets	(172,937)	(131,779)
Accounts payable, accrued liabilities and other current liabilities	160,113	8,396
Net Cash Used In Operating Activities	(1,469,206)	(1,061,974)
<b>Investing Activities:</b>		
Purchase of Marketable securities	-	(17,866)
Patent costs	(26,420)	(34,357)
Net Cash Used In Investing Activities	(26,420)	(52,223)
<b>Financing Activities:</b>		
Restricted cash	(179)	(410)
Net Cash Used In Financing Activities	(179)	(410)
Net Decrease In Cash and Cash Equivalents	(1,495,805)	(1,114,607)
Cash and Cash Equivalents, Beginning of Period	3,672,877	2,197,555
Cash and Cash Equivalents, End of Period	\$ 2,177,072	\$ 1,082,948
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the year:		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

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, 2013, included in our Annual Report on Form 10-K for the year ended December 31, 2013.

In the opinion of the management of the Company, all adjustments, which are of a normal recurring nature, necessary for a fair statement of the results for the three month period have been made. Results for the interim period presented are not necessarily indicative of the results that might be expected for the entire fiscal year. When used in these notes, the terms "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., 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 9-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 by: (1) Providing an increase in power output of up to 10% while simultaneously extending the operating cycle length from 18 to 24 months in existing pressurized water reactors (which are currently limited to an 18-month operating cycle); alternatively, the power can be increased up to 17% while retaining an 18-month operating cycle; (2) Enabling increased reactor power output (up to 30% increase) without changing the core size in new build PWRs; and (3) Reducing the volume of used fuel per kilowatt-hour as well as enhancing proliferation resistance of spent fuel. There are significant technology synergies among our primary fuel products due to utilization of the proprietary metallic fuel rod technology that is at the core of each of them. As a result, once completed, full-scale demonstration and qualification of the metallic fuel rod technology will simultaneously advance all of our product families currently under development. In addition, as a result of the significantly lower temperature during operation, our metallic nuclear fuel rods are expected to have improved safety margins during anticipated off-normal events. Preliminary analytical modeling shows that under a large break loss-of-coolant (LOCA) scenario, unlike conventional uranium dioxide fuel, the cladding of the Lightbridge-designed metallic fuel rods stays at least 200 degrees below 850-900 degrees Celsius which is the temperature at which steam begins to react with zirconium in the cladding generating hydrogen gas.

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.





## **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, 2014. These contracts can continue to be extended upon agreement by both parties.

On Oct. 7, 2013 we were selected as technical advisor to provide independent re-verification of equipment and material procurement processes related to construction and maintenance of nuclear power plants operated by Korea Hydro and Nuclear Power Company (KHNP). As a subcontractor to London-based Lloyd's Register Group Limited, we will focus on the environmental and seismic qualification and commercial grade dedication aspects of a two-year Lloyd's Register/KHNP contract.

## **Accounting Policies and Pronouncements**

### *Basis of Consolidation*

These 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 (currently 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. Translation gains and losses for the three months ended March 31, 2014 and 2013 were not significant.

### *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*

Management anticipates, based on our projected working capital requirements, including the expected proceeds of an equity financing to take place in 2014, that we will have enough working capital funds to sustain our current operations for the next 12 months. We will need to raise additional capital in 2014 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. We will also need to raise additional capital for research and development expenses in 2014. 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, the ability to safeguard the production of nuclear power and safeguarding our patents and intellectual property from competitors. Due to these factors, we may experience substantial period-to-period fluctuations in our future operating results. 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 our 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 for 2014 and 2013, as we have not incurred any credit losses from our customers, to date. Substantially all of our consulting revenues were from our Middle East contracts for the three months ended March 31, 2014 and 2013.

#### *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 and recognized on a time and expense basis.

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 2014 and 2013 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 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 either a fuel fabricator or nuclear plant owner/operator, we will seek to license our technology to them or to major government contractors working for the U.S. or other governments. 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-Merton 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. For each of the three months ended March 31, 2014 and 2013, we recognized stock-based compensation of approximately \$0.1 million. 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, Restricted Cash and Marketable Securities*

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 \$2.2 million and \$3.7 million at March 31, 2014 and December 31, 2013, 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 March 31, 2014 and 2013 was approximately \$0.6 million.

We determine the appropriate classification of our investments in marketable securities at the time of purchase and reevaluate such designation at each balance sheet date. We have classified and accounted for our marketable securities as available-for-sale, however we carry these securities at fair value (see below election made to value these financial instruments at fair market value). The fair value of substantially all securities is determined by quoted market prices.

All marketable securities are classified as available-for-sale securities and are reported at their fair value (level 1). A level 1 measurement under the FASB pronouncements is the first tier of a three tier hierarchy for fair value measurements used in valuation methodologies. This valuation level allows for fair value measurements where the inputs are the quoted prices for the assets in the active markets. All of our marketable securities have quoted market prices and these quoted prices are used to determine the fair value of our marketable securities.

The total quoted fair value of our marketable securities at March 31, 2014 and December 31, 2013, was approximately \$16,000. This amount was held in Vanguard High Yield Corp Investor Fund (Symbol -VWEHX). The cost basis of this above investment was approximately \$14,000.

Investment Income (loss) is earned on marketable securities and consists of unrealized gains (losses), realized capital gains or losses, interest and dividends received, as reported to us from the financial institutions in which they were reinvested, and totaled \$0 and \$16,000 for the three months ended March 31, 2014 and 2013, respectively. We elected the fair value option permitted under FASB ASC 825 to report the unrealized gains and losses from our marketable securities in our accompanying consolidated statement of operations instead of other comprehensive income and loss. Management believes the fair value option provides a better indication of the Company's performance.

#### *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 March 31, 2014 and December 31, 2013, as we have not experienced any bad debt write-offs from any of our customers. Substantially all accounts receivable at March 31, 2014 and December 31, 2013 are from the FANR and ENEC contracts (see Note 3-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

(see Note 8 Income Taxes).



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 2014 or 2013.

#### *Foreign Currency*

The functional currency of our international subsidiaries and branches is the local currency. We translate the financial statements of these subsidiaries to U.S. dollars using month-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 months ended March 31, 2014 and 2013.

#### *Patents and Legal Costs*

Patents are stated on the accompanying consolidated balance sheets at cost less accumulated amortization. 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 months ended March 31, 2014 and 2013.

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 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 months ended March 31, 2014 and 2013.

#### *Research, Development and Related Expenses*

These costs from our Technology business segment are charged to operations in the year 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 months ended March 31, 2014 and 2013, 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 9 - Business Segment Results).

*Commitments and Contingencies*

The Company follows subtopic 450-20 of the FASB Accounting Standards Codification to account for and report contingencies. Certain conditions may exist as of the date the consolidated financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's consolidated financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, and an estimate of the range of possible losses, if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed. The Company's legal costs associated with contingent liabilities are recorded to expense as incurred.

#### *Recent Accounting Pronouncements Recently Adopted*

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

#### **Note 2. Net Loss Per Share**

Basic net loss per share is computed using the weighted-average number of common shares outstanding during the period except that it does not include unvested common shares subject to repurchase or cancellation. Diluted net income per share is computed using the weighted-average number of common shares and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options, warrants, restricted shares, and unvested common shares subject to repurchase or cancellation. The dilutive effect of outstanding stock options, restricted shares, restricted stock units, and warrants is not reflected in diluted earnings per share because we incurred net losses for the three months ended March 31, 2014 and 2013, 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.

The following table sets forth the computation of the basic and diluted loss per share (in millions except shares and per share amounts):

	<b>2014</b>	<b>2013</b>
<b>Numerator:</b>		
Net loss	\$ (1.4)	\$ (1.3)
<b>Denominator:</b>		
Weighted-average common shares outstanding	15,058,163	12,529,045
Basic and diluted net loss per share	\$ (0.10)	\$ (0.10)

#### **Note 3. Accounts Receivable – Project Revenue and Reimbursable Project Costs**

##### **ENEC and FANR Projects**

The total accounts receivable from the ENEC and FANR contracts was approximately \$0.5 million and \$0.4 million at March 31, 2014 and December 31, 2013, respectively. These amounts due from ENEC and FANR represent approximately all of the total accounts receivable reported at March 31, 2014 and December 31, 2013. Approximately 86% and 95% of the total revenues reported for the three months ended March 31, 2014 and 2013, respectively, were from the ENEC and FANR contracts.

Total unbilled accounts receivable included in the accompanying consolidated balance sheets and reported in accounts receivable of approximately \$0.1 million at March 31, 2014 and December 31, 2013, is for work that was billed to our clients in April 2014 and January 2014, respectively. Foreign currency transaction exchange losses and translation gains and losses for the three months ended March 31, 2014 and 2013, were not significant.

Travel costs and other reimbursable costs under these contracts are reported in the accompanying statement of operations as both revenue and cost of consulting services provided were not significant for the three months ended March 31, 2014 and 2013. The total travel and other reimbursable expenses that have not been reimbursed to us and are included in total accounts receivable reported above from our consulting contracts were not significant at March 31, 2014 and December 31, 2013.

Under these agreements, revenue will be recognized on a time and expense 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 4. Accounts Payable and Accrued Liabilities

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

	2014		2013	
Trade payables	\$	0.1	\$	0.1
Accrued expenses and other		0.1		0.1
Accrued payroll liabilities		0.4		0.3
Total	\$	0.6	\$	0.5

#### Note 5. Income Taxes

Our tax provision is determined using an estimate of our annual effective tax rate adjusted for discrete items, if any, that are taken into account in the relevant period. The 2014 and 2013 annual effective tax rate is estimated to be a combined 40% for the U.S. federal and state statutory tax rate. We review tax uncertainties in light of changing facts and circumstances and adjust them accordingly. As of March 31, 2014 and December 31, 2013, there were no tax contingencies recorded.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities recognized for financial reporting, and the amounts recognized for income tax purposes. The significant components of deferred tax assets (at a 40% effective tax rate) as of March 31, 2014 and December 31, 2013, respectively, are as follows:

#### Deferred Tax Assets (in millions)

	Total		Deferred Tax Asset	
	2014	2013	2014	2013
Capitalized start-up costs	\$ 4.4	\$ 4.6	\$ 1.8	\$ 1.8
Stock-based compensation	17.6	17.6	7.0	7.0
Net operating loss carry-forward	42.0	40.5	16.8	16.2
Less: valuation allowance	(64.0)	(62.7)	(25.6)	(25.0)
	\$ -	\$ -	\$ -	\$ -

We have a net operating loss carry-forward for federal and state tax purposes of approximately \$42 million at March 31, 2014, that is available to offset future taxable income, which will begin to expire in the year 2021. For financial reporting purposes, no deferred tax asset was recognized because at March 31, 2014 and December 31, 2013, management estimates that it is more likely than not that substantially all of the net operating losses will expire unused. As a result, the amount of the deferred tax assets considered realizable was reduced 100% by a valuation allowance. The change in the valuation allowance was approximately \$0.6 million and \$0.5 million for the three months ended March 31, 2014 and 2013, respectively. Many of the Company's operating expenses in its 2007 and 2006 tax years were classified under the Internal Revenue Code as capitalized Startup Costs, which did not begin to be deductible for tax purposes until 2008. The Company files a consolidated tax return with its subsidiaries. The Company is no longer subject to U.S. federal, state, or non-U.S. income tax examinations by tax authorities for tax years before 2010, except that earlier years can be examined for the sole purpose of challenging the net operating loss carry-forwards arising in those years.



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

### *Employment Agreements*

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

### *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. The monthly rent payment is approximately \$32,000 plus additional charges.

We pay rent for our Moscow office of approximately \$12,000 per month, on a month-to-month basis. Rent expense was approximately \$0.2 million for the three months ended March 31, 2014 and 2013.

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

### *Research and Development Costs*

Research and development costs, included in the accompanying consolidated statements of operations, amounted to approximately \$0.4 million and \$0.6 million for the three months ended March 31, 2014 and 2013, respectively.

On August 15, 2013, Lightbridge entered into a Professional Services Agreement with Prof. Jean Ragusa to continue the neutronic modeling work that was completed by Prof. Ragusa under Task Order No. 1 issued under our Master Research Services Agreement with Texas A&M University. The initial statement of work (SOW-1) under the Professional Services Agreement with Prof. Ragusa has a fixed price of \$40,000 and is expected to be completed in the second quarter of 2014. The results of this work will be used to enhance our neutronic modeling capability using industry standard computer codes.

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

## **Note 8. Stockholders Equity**

At March 31, 2014 and December 31, 2013, there are 500,000,000 shares of authorized common stock. Total common stock outstanding at March 31, 2014 and December 31, 2013, was 15,064,069 shares and 15,057,243 shares, respectively. At March 31, 2014 there were 2,284,996 stock warrants, 1,564,257 stock options outstanding and 7,467 total unvested shares of restricted stock, all totaling 18,920,789 of total stock and stock equivalents outstanding at March 31, 2014.

### Registered Direct Offerings and Outstanding Warrants

#### October 21, 2013 Offering

On October 21, 2013 we completed an offering with certain institutional investors on the sale of 2,500,000 shares of our common stock and warrants to purchase a total of 1,250,000 shares of our common stock for aggregate gross proceeds, before deducting fees to the Placement Agent and other estimated offering expenses payable by us, of

approximately \$4.4 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 0.5 shares of common stock. The purchase price was \$1.75 per fixed combination. The warrants become exercisable six months and one day following the closing date (October 21, 2013 i.e., exercisable beginning April 22, 2014) of the offering and will remain exercisable for 7.5 years from the date of issuance at an exercise price of \$2.30 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 some of the warrants may be limited if, upon exercise, the holder or any of its affiliates would beneficially own more than 4.99% of our common stock. This limit may be increased to up to 9.99% upon no fewer than 60 days' notice.



We received net proceeds of approximately \$4.0 million after payment of certain fees and expenses related to the Offering. The allocation of the proceeds from the offering, based on the relative fair value of the common stock and the warrants, resulted in the allocation of approximately \$2.8 million of the net proceeds to the common stock sold and approximately \$1.2 million of the net proceeds to the warrants, which was recorded to additional paid-in capital-stock and stock equivalents.

The value of the warrants issued was calculated by using the Black Scholes Valuation Model using the following assumptions: volatility 104%; risk-free interest rate of 2.01%; dividend yield of 0%, and expected term of 7.5 years. The volatility of the Company's common stock was estimated by management based on the historical volatility of the trading history of the Company's common stock. The risk-free interest rate was based on the Treasury Constant Maturity Rates published by the U.S. Federal Reserve for periods applicable to the expected life of the warrants. The expected dividend yield was based on the Company's current and expected dividend policy and the expected term is equal to the contractual life of the warrants.

#### July 22, 2010 Offering- Warrants Outstanding

On July 22, 2010, we completed an offering (the Offering) with certain institutional investors on the sale of 2,069,992 shares of our common stock and warrants to purchase a total of 1,034,996 shares of our common stock for aggregate gross proceeds, before deducting fees to the Placement Agent and other estimated offering expenses payable by us, of approximately \$13.7 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 0.5 shares of common stock. The purchase price was \$6.60 per fixed combination. The warrants became exercisable six months and one day following the closing date (July 28, 2010, i.e., exercisable beginning January 29, 2011) of the Offering and will remain exercisable for seven years from the date of issuance at an exercise price of \$9.00 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 some of the warrants may be limited if, upon exercise, the holder or any of its affiliates would beneficially own more than 4.99% of our common stock. This limit may be increased to up to 9.99% upon no fewer than 60 days' notice. All these warrants remain outstanding at March 31, 2014 and December 31, 2013.

#### Stock-based Compensation    Stock Options and Restricted Stock

##### Stock Plan

We have a stock-based compensation plan to reward for services rendered by officers, directors, employees and consultants. On July 17, 2006, we amended this stock plan. We have reserved 2,500,000 shares of common stock of our unissued share capital for the stock plan. Other limitations are as follows:

- (i) No more than an aggregate of 1,250,000 shares can be granted for the purchase of restricted common shares during the term of the stock plan;
- (ii) The maximum number of shares of common stock with respect to which options may be granted to any one person during any fiscal year may not exceed 266,667 shares; and
- (iii) The maximum number of restricted shares that may be granted to any one person during any fiscal year may not exceed 166,667 common shares.

Total stock options outstanding at March 31, 2014 and December 31, 2013, were 1,564,257, of which 1,558,103 and 1,530,200 of these options were vested at March 31, 2014 and December 31, 2013, respectively. Stock option expense was approximately \$40,000 and \$102,000 for the three months ended March 31, 2014 and 2013, respectively.

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Stock option transactions to the employees, directors, advisory board members and consultants are summarized as follows for the three months ended March 31, 2014:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
Beginning of the year	1,564,257	\$ 11.16	\$ 10.61
Granted	-	\$ -	\$ -
Exercised	-	\$ -	\$ -
Forfeited	-	\$ -	\$ -
Expired	-	\$ -	\$ -
End of year	1,564,257	\$ 11.16	\$ 10.61
Options exercisable	1,558,103	\$ 11.18	\$ 10.63

Stock option transactions to the employees, directors, advisory board members and consultants are summarized as follows for the year ended December 31, 2013:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
Beginning of the year	1,639,842	\$ 11.46	\$ 10.85
Granted	-	\$ -	\$ -
Exercised	-	\$ -	\$ -
Forfeited	(7,250)	\$ 6.04	\$ 5.51
Expired	(68,335)	\$ 18.94	\$ 16.90
End of year	1,564,257	\$ 11.16	\$ 10.61
Options exercisable	1,530,200	\$ 11.28	\$ 10.73

Stock option transactions to the employees, directors, advisory board members and consultants are summarized as follows for the three months ended March 31, 2014:

The above tables include options issued and outstanding as of March 31, 2014 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 1,146,165 non-qualified 8-10 year options have been issued, and are outstanding, to our directors, officers and employees at exercise prices of \$5.42 to \$23.85 per share. From this total, 665,088 options are outstanding to the Chief Executive Officer who is also a director, with remaining contractual lives of 1.7 years to 7.0 years. All other options issued to directors, officers and employees have a remaining contractual life ranging from 2.3 years to 7.0 years.
- iii) A total of 162,890 non-qualified 10 year options have been issued, and are outstanding, to our consultants at exercise prices of \$5.70 to \$15.30 per share.

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

	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
Exercise Prices						
\$4.50 - \$8.70	5.03	835,884	\$ 6.33	5.02	829,730	\$ 6.34
\$9.00 - \$12.90	3.70	130,037	\$ 10.46	3.70	130,037	\$ 10.46
\$13.50-\$18.90	2.06	358,336	\$ 14.17	2.06	358,336	\$ 14.17
\$19.20-\$23.85	1.88	240,000	\$ 23.85	1.88	240,000	\$ 23.85
Total	3.76	1,564,257	\$ 11.16	3.74	1,558,103	\$ 11.18

The following table provides certain information with respect to the above-referenced stock options that are outstanding and exercisable at December 31, 2013:

	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
Exercise Prices						
\$4.50 - \$8.70	5.28	835,884	\$ 6.33	5.21	801,827	\$ 6.36
\$9.00 - \$12.90	3.95	130,037	\$ 10.46	3.95	130,037	\$ 10.46
\$13.50-\$18.90	2.30	358,336	\$ 14.17	2.30	358,336	\$ 14.17
\$19.20-\$23.85	2.12	240,000	\$ 23.85	2.12	240,000	\$ 23.85
Total	4.00	1,564,257	\$ 11.16	3.94	1,530,200	\$ 11.28

The aggregate intrinsic value of stock options outstanding at March 31, 2014 and December 31, 2013 was \$0, all of which related to vested awards. Intrinsic value is calculated based on the difference between the exercise price of the underlying awards and the quoted price of our common stock as of the reporting date (\$2.69 and \$1.45 per share) as of the close on March 31, 2014 and December 31, 2013, respectively).

Restricted Stock Award Activity

	Number of Units	Weighted Average Grant Date Fair Value
Total awards outstanding at December 31, 2012	43,032	\$ 6.49
Units granted	-	\$ -
Units Exercised/Released	(28,739)	\$ 6.99
Units Cancelled/Forfeited	-	\$ -
Total awards outstanding at December 31, 2013	14,293	\$ 5.47



The following summarizes our restricted stock unit activity:

Scheduled vesting for outstanding restricted stock units at March 31, 2014 is as follows:

	Year Ended December 31,					Total
	2014	2015	2016	2017	Thereafter	
Scheduled vesting restricted stock	7,467	-	-	-	-	7,467

As of March 31, 2014 and December 31, 2013 there was approximately \$1,100 and \$19,000 of net unrecognized compensation cost related to unvested restricted stock-based compensation arrangements, respectively. This compensation is recognized on a straight line basis resulting in all of the \$1,100 of the compensation expected to be expensed in 2014, and the total unrecognized has a weighted average recognition period of 0.03 years.

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. We estimate the term of our option awards based on the full term of the award. To date we have had very few exercises of our options, and those exercises have occurred just before the expiration date of the 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 term. We estimate the effect of future forfeitures of our 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 of options and restricted stock does not include the estimate for future pre-vest forfeitures, as all of our grants will be fully earned within the next few months.

There were no stock options granted for the three months ended March 31, 2014 and the year ended December 31, 2013. Assumptions used in the Black Scholes option-pricing model for the year ended December 31, 2011 were as follows:

Average risk-free interest rate	3.35%
Average expected life- years	10
Expected volatility	94.32%
Expected dividends	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. We record stock-based compensation expenses in the caption with all of our other general and administrative expenses. 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.

During the three months ended March 31, 2014 and 2013, approximately \$60,000 and \$147,000, respectively, was recorded as total stock-based compensation. Stock-based compensation expense is recorded under the caption general and administrative expenses and research and development expenses in the accompanying consolidated statements of operations.

## Note 9. 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 Operating Officer/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.

The Company evaluates performance based on several factors, of which achievement of strategic goals toward future profitability and business segment income before taxes are the primary measures. The following tables show the operations of the Company's reportable business segments for the three months ended March 31, 2014 and 2013.

	Consulting		Technology		Corporate and Eliminations		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
<b>Revenue</b>	254,107	515,950	-	-	-	-	254,107	515,950
<b>Segment Profit</b>								
<b>Pre Tax</b>	80,911	84,846	(432,086)	(643,273)	(1,082,747)	(720,495)	(1,433,922)	(1,278,922)
<b>Total Assets</b>	507,738	418,113	725,588	634,953	3,210,300	3,967,227	4,443,626	5,020,293
<b>Property Additions</b>	-	-	-	-	-	-	-	-
<b>Interest Expense</b>	-	-	-	-	-	-	-	-
<b>Depreciation</b>	-	-	-	-	-	6,119	-	6,119

#### Note 10. Subsequent Events

The Company has implemented the most recent FASB accounting pronouncement for reporting subsequent events. This standard establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before the consolidated financial statements are issued. The adoption of this accounting pronouncement did not impact our financial position or results of operations. The Company evaluated all events or transactions that occurred after March 31, 2014, up through the date these consolidated financial statements were issued and no subsequent events occurred that required disclosure in the accompanying consolidated financial statements.

## FORWARD-LOOKING STATEMENTS

In addition to historical information, this report contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. We use words such as believe , expect , anticipate , project , target , plan , optimistic , intend , aim , will or similar expressions which are intended to identify forward-looking statements. Such statements include, among others, (1) those concerning market and business segment growth, demand and acceptance of our Nuclear Energy Consulting Services and Nuclear Fuel Technology Business, (2) any projections of sales, earnings, revenue, margins or other financial items, (3) any statements of the plans, strategies and objectives of management for future operations, (4) any statements regarding future economic conditions or performance, (5) uncertainties related to 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 as assumptions that if they were to ever materialize or prove incorrect, could cause the results of the Company to differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties, among others, include:

- our ability to 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,
- 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,
- the risks identified in the Risk Factors section of this Report, and
- other risks identified in this Report.

All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The Company assumes no obligation and does not intend to update these forward-looking statements, except as required by law. When used in this report, the terms Lightbridge , Company , we , our , and us refer to Lightbridge Corporation and its wholly-owned subsidiaries Thorium Power, Inc. (a Delaware corporation) and Lightbridge International Holding, LLC (a Delaware limited liability company).



## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations, or MD&A, is intended to help the reader understand Lightbridge Corporation, our operations and our present business environment. MD&A is provided as a supplement to, and should be read in conjunction with, our consolidated financial statements and the accompanying notes thereto contained in Item 1. Financial Statements and Supplementary Data 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 Company's consolidated results of operations for the two years presented in our 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 at the beginning of this Quarterly Report, the following discussion contains forward-looking statements that involve risks, uncertainties, and assumptions such as statements of our plans, objectives, expectations, and intentions. Our actual results may differ materially from those discussed in these forward-looking statements because of the risks and uncertainties inherent in future events.

### Overview of Our Business

We are a leading nuclear fuel technology company, and participate in the nuclear power industry in the U.S. and internationally. Our business operations can be categorized into two segments: (i) we are a developer of next generation nuclear fuel technology that has the potential to significantly uprate the power output of reactors, reducing the per-megawatt-hourly cost of generating nuclear energy, and reducing nuclear waste and proliferation, and (ii) we are a provider of nuclear power consulting and strategic advisory services to commercial and governmental entities worldwide.

Currently our consulting revenue has not provided sufficient cash flow to cover both our research and development expenses and corporate overhead expenses. Currently, we are working on revenue opportunities with the overall goal of achieving profitability and increasing our cash flow. We anticipate entering into consulting and technology agreements with our existing and new potential clients, both of which could generate additional revenues and cash flows for us in 2014 and beyond. We have written proposals out to these prospects, which as of the date of this filing are pending approval.

We will seek new equity financing or additional sources of capital in 2014. The primary potential sources of cash available to us are equity investments, strategic investments and new consulting contracts. We have no debt or credit lines and we have financed our operations to date through our consulting revenue and the sale of our common stock. In October 2013 we raised approximately \$4.0 million after payment of certain fees and expenses in a registered direct offering.

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 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.



Our consulting projects are performed pursuant to ongoing requests to work on specific projects on a time and expense basis as needed. 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.

The major nuclear accident at the Fukushima nuclear power plant in Japan in March 2011 increased public opposition to nuclear power in some countries, resulting in a slowdown in, or a complete halt to, new construction of nuclear power plants and an early shut down of existing power plants in select countries. As a result, some countries that were considering launching new domestic nuclear power programs before the Fukushima accident have delayed or cancelled preparatory activities they were planning to undertake as part of such programs. After the Fukushima accident, there has been an increased interest in countries seeking regulatory nuclear consulting, which has created an opportunity for us to expand our regulatory nuclear consulting work to other countries.

#### Our Nuclear Fuel Technology Business Segment

We are developing innovative, proprietary nuclear fuel designs that can significantly enhance the nuclear power industry's economics and increase power output by: (1) Providing an increase in power output of up to 10% while simultaneously extending the operating cycle length from 18 to 24 months in existing pressurized water reactors (which are currently limited to an 18-month operating cycle); alternatively, the power can be increased up to 17% while retaining an 18-month operating cycle; (2) Enabling increased reactor power output (up to 30% increase) without changing the core size in new build PWRs; and (3) Reducing the volume of used fuel per kilowatt-hour as well as enhancing proliferation resistance of spent fuel. In addition, as a result of the significantly lower temperature during operation, our metallic nuclear fuel rods are expected to have improved safety margins during anticipated off-normal events. Preliminary analytical modeling shows that under a large break loss-of-coolant (LOCA) scenario, unlike conventional uranium dioxide fuel, the cladding of the Lightbridge-designed metallic fuel rods stays at least 200 degrees below 850-900 degrees Celsius which is the temperature at which steam begins to react with zirconium in the cladding generating hydrogen gas.

For uprates up to 10%, only relatively minor reactor system modifications would be required. Accordingly, we believe that nuclear utilities with existing reactor fleets may find it economically attractive to initially start with a 10% power uprate fuel variant and switch to a 17% power uprate fuel variant at the time when steam generators and other expensive plant equipment reach their lifetime limit and have to be replaced. In that case, nuclear utilities would only have to incur the incremental capital cost above and beyond the cost of standard plant equipment being replaced to accommodate a 17% power uprate in their existing PWR plants.

We believe that a major opportunity for us is the possibility that our advanced nuclear fuel designs, which are currently in the research and development stage, will be used in many existing and new light water nuclear reactors. Light water reactors are the dominant reactor type currently used in the world, and fuels for such reactors constitute the majority of the commercial market for nuclear fuel.

In response to specific feedback from Lightbridge's Nuclear Utility Fuel Advisory Board comprised of senior fuel managers from four of the larger U.S. nuclear utilities (Exelon, Duke, Dominion, and Southern Company), we have enhanced our metallic fuel assembly design for existing PWRs, eliminating the outer blanket row of oxide fuel rods and making our entire fuel assembly metallic.

As a result, nuclear utilities using our metallic fuel in existing PWRs can realize improved safety, plant economics, and operating benefits (i.e., power uprate and longer fuel cycle) without the fuel performance constraints imposed by introducing oxide fuel rods into an assembly.

On October 15, 2013, we entered into a memorandum of understanding with Babcock & Wilcox Nuclear Energy, Inc. (B&W NE), a subsidiary of The Babcock & Wilcox Company to explore joint development of a pilot-scale facility to demonstrate fabrication of Lightbridge's innovative metallic nuclear fuel.

Our goal is to enter into a definitive agreement with a fuel vendor/fabricator in 2014.

### Consulting Business Segment

We are primarily engaged in the business 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 are derived from our consulting and strategic advisory services business segment, which primarily provides nuclear consulting services to entities within the United Arab Emirates, our first significant consulting and strategic advisory client. In April 2010 and December 2010, we began to provide consulting services in additional countries, including the member states of the Gulf Cooperation Council (the GCC, a political and economic union that comprises the Gulf states of the Kingdom of Bahrain, State of Kuwait, Sultanate of Oman, State of Qatar, Kingdom of Saudi Arabia and United Arab Emirates) and Kuwait. We have also provided nuclear safety consulting advice to U.S. nuclear utilities.

On Oct. 7, 2013 we were selected as technical advisor to provide independent re-verification of equipment and material procurement processes related to construction and maintenance of nuclear power plants operated by Korea Hydro and Nuclear Power Company (KHNP). As a subcontractor to London-based Lloyd's Register Group Limited, we will focus on the environmental and seismic qualification and commercial grade dedication aspects of a two-year Lloyd's Register/KHNP contract. On March 3, 2014 we entered into a subcontractor services agreement with Lloyd's Register to provide services to the KHNP. This agreement is for work starting February 1, 2014 through February 1, 2015 and is for a maximum contract price of \$400,000, inclusive of expenses and taxes.

### Factors Affecting Our Financial Performance

#### 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 fall, 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.

#### Consulting and Strategic Advisory Services

Our primary challenge in pursuing our business is that the decision making process for nuclear power programs typically involves careful consideration by many parties and therefore requires significant time. Many of the potential clients that could benefit from our services are in regions of the world where tensions surrounding nuclear energy are high, or in countries where public opinion plays an important role. Domestic and international political pressure may hinder our efforts to provide nuclear energy services, regardless of our focus on non-proliferative nuclear power.

Critical Accounting Policies and Estimates

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

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

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

***Accounting for Stock Based Compensation, Stock Options and Stock Granted to Employees and Non-employees***

We adopted the requirements for stock-based compensation, where all forms of share-based payments to employees or non-employees, including stock options and stock purchase plans, are treated the same as any other form of compensation by recognizing the related cost in the statement of income.

Under these requirements, stock-based compensation expense for employees is measured at the grant date based on the fair value of the award, and the expense is recognized ratably over the award's vesting period.

The stock-based compensation expense incurred by Lightbridge in connection with its employees is based on the employee model of ASC 718. 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. Under these requirements, stock-based compensation expense for non-employees is based on the fair value of the award on the measurement date which is the earlier of the date at which a commitment for performance by the counterparty to earn the equity instruments is reached (a performance commitment), or the date at which the counterparty's performance is complete. For all grants made, we recognize compensation cost under the straight-line method.

We measure the fair value of stock options on the date of grant using a Black-Scholes option-pricing model which requires the use of several estimates, including:

- the volatility of our stock price;
- the expected life of the option;

risk free interest rates; and  
expected dividend yield.

Prior to the completion of our merger in October 2006, we had limited historical information on the price of our stock as well as employees' stock option exercise behavior for stock options issued prior to the merger. We could not rely on historical experience alone to develop assumptions for stock price volatility and the expected life of options. As such, our stock price volatility was estimated with reference to our historical stock price for the time period before the merger, from the date the announcement of the merger was made. We utilized the closing prices of our publicly-traded stock from the announcement date in January 2006 to determine our volatility and we have continued to use our historical stock price closing prices to determine our volatility.

The expected life of options is based on internal studies of historical experience and projected exercise behavior. We estimate expected forfeitures of stock-based awards at the grant date and recognize compensation cost only for those awards expected to vest. The forfeiture assumption is ultimately adjusted to the actual forfeiture rate. Estimated forfeitures are reassessed in subsequent periods and may change based on new facts and circumstances. We utilize a risk-free interest rate, which is based on the yield of U.S. treasury securities with a maturity equal to the expected life of the options. We have not and do not expect to pay dividends on our common shares.

### ***Income Taxes***

We account for income taxes using the liability method in accordance with the accounting pronouncement *Accounting for Income Taxes*, which requires the recognition of deferred tax assets or liabilities for the tax-effected temporary differences between the financial reporting and tax bases of our assets and liabilities, and for net operating loss and tax credit carry forwards. The tax expense or benefit for unusual items, prior year tax exposure items, or certain adjustments to valuation allowances are treated as discrete items in the interim period in which the events occur.

On January 1, 2007, we adopted Accounting Interpretation *Accounting for Uncertainty in Income Taxes*, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this requirement, we may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. As a result of the implementation of this standard, we did not recognize any current tax liability for unrecognized tax benefits. We do not believe that there are any unrecognized tax positions that would have a material effect on the net operating losses disclosed.

### ***Revenue Recognition from Consulting Contracts***

We believe one of our critical accounting policies is revenue recognition from our consulting contracts. We are currently primarily deriving our revenue from fees by offering consulting and strategic advisory services to commercial and government owned entities outside the U.S. planning to create or expand electricity generation capabilities, using nuclear power plants. Our fee type and structure for each client engagement depend 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 electricity generation capabilities using nuclear power plants, and other factors.

The two consulting agreements that we entered into in August 2008 with the Emirates Nuclear Energy Corporation (ENEC) and the Federal Authority for Nuclear Regulation (FANR) were fixed-fee service contracts, but were subsequently changed to time and expense contracts. We recognize revenue associated with these contracts in accordance with the time and expense billed to our customer, which is subject to their review and approval. When a loss is anticipated on a contract, the full amount of the anticipated loss is recognized immediately. Our management uses its judgment concerning the chargeable number of hours to bill under each contract considering a number of factors, including the experience of the personnel that are performing the services, the value of the services provided and the overall complexity of the project. Should changes in management's estimates be required, due to business

conditions that cause the actual financial results to differ significantly from management's present estimates, revenue recognized in future periods could be adversely affected.

We recognize revenue in accordance with SEC Staff Accounting Bulletin or SAB, No. 104, *Revenue Recognition*. We recognize revenue when all of the following conditions are met:

- (1) There is persuasive evidence of an arrangement;
- (2) The service has been provided to the customer;
- (3) The collection of the fees is reasonably assured; and
- (4) The amount of fees to be paid by the customer is fixed or determinable.

In situations where contracts include client acceptance provisions, we do not recognize revenue until such time as the client has confirmed its acceptance.

### ***Intangibles***

As presented on the accompanying balance sheet, we had patents with a net book value of approximately \$0.7 million as of March 31, 2014. There are many assumptions and estimates that may directly impact the results of impairment testing, including an estimate of future expected revenues, earnings and cash flows, and discount rates applied to such expected cash flows in order to estimate fair value. We have the ability to influence the outcome and ultimate results based on the assumptions and estimates we choose for testing. To mitigate undue influence, we set criteria that are reviewed and approved by various levels of management. The determination of whether or not intangible assets have become impaired involves a significant level of judgment in the assumptions. Changes in our strategy or market conditions could significantly impact these judgments and require adjustments to recorded amounts of intangible assets.

### ***Contingencies***

Management assesses the probability of loss for certain contingencies and accrues a liability and/or discloses the relevant circumstances, as appropriate. Management discloses any liability which, taken as a whole, may have a material adverse effect on the financial condition of the Company.

### ***Recent Accounting Standards and Pronouncements***

Refer to Note 1 of Notes to 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 ended March 31, 2014 and 2013, in order to provide a meaningful discussion of our business segments. We have organized our operations into two principal segments: Consulting and Nuclear Fuel Technology. We present our segment information along the same lines that our chief executives review our operating results in assessing performance and allocating resources.



**BUSINESS SEGMENT RESULTS THREE MONTHS ENDED MARCH 31, 2014 AND 2013**

	Consulting		Technology		Corporate and Eliminations		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
<b>Revenue</b>	254,107	515,950	-	-	-	-	254,107	515,950
<b>Segment Profit Pre Tax</b>	80,911	84,846	(432,086)	(643,273)	(1,082,747)	(720,495)	(1,433,922)	(1,278,922)
<b>Total Assets</b>	507,738	418,113	725,588	634,953	3,210,300	3,967,227	4,443,626	5,020,293
<b>Property Additions</b>	-	-	-	-	-	-	-	-
<b>Interest Expense</b>	-	-	-	-	-	-	-	-
<b>Depreciation</b>	-	-	-	-	-	6,119	-	6,119
<b><i>Technology Business</i></b>								

Over the next 12 to 15 months, we expect to incur approximately \$3-4 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 March 31, 2014 and 2013, 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 pressurized water 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 PWR.

***Consulting Services Business***

At the present time, all of our revenue for the three months ended March 31, 2014 and 2013 is from our consulting services business segment and is derived by offering services to governments outside of the U.S. 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***

The following table presents our historical operating results as a percentage of revenues for the three months indicated:

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	Three Months Ended March 31,	
	2014	2013
<b>Consolidated Statements of Income Data:</b>		
Revenues	100%	100%
<b>Costs and expenses:</b>		
Cost of revenues	49	55
Gross Profit	51	45
Research and development	170	125
General and administrative	445	171
Total costs and expenses	615	296
Loss from operations	(564)	(251)
Interest income and other, net	-	3
Loss before income taxes	(564)	(248)
Provision for income taxes	-	-
Net loss	(564)%	(248)%

**Revenue**

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

	Three Months Ended March 31,	
	2014	2013
<b>Consulting Segment Revenues:</b>		
ENEC and FANR (UAE)	\$ 0.3	\$ 0.5
Other (other countries)	-	-
<b>Subtotal Add:</b>	<b>0.3</b>	<b>0.5</b>
Technology Segment Revenues	-	-
<b>Total Revenues</b>	<b>\$ 0.3</b>	<b>\$ 0.5</b>

The decrease in our revenues from 2013 to 2014 of \$0.2 million resulted from the decrease in the work performed for our FANR project. 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 renegotiated in 2012 and its contract term extended to December 31, 2014. 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.

We believe that in 2014 we may obtain consulting contracts from other governments interested in deploying nuclear power in their countries, based on our commitment to providing consulting services that are relevant and objective in exploring the use of nuclear power, which in turn could increase our future consulting revenues. We have submitted proposals to several countries to provide our consulting services and we expect to hear back in the upcoming quarters as to whether we will be awarded the consulting work over other competing bids. In general, 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 3 of the Notes to our Condensed Consolidated Financial Statements included in Item 1



of this Quarterly Report on Form 10-Q for additional information about our revenue and consulting contracts.

### ***Costs and Expenses***

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

	Three Months Ended March 31,			
	2014		2013	
Consulting	\$	0.1	\$	0.3
Technology		-		-
Total	\$	0.1	\$	0.3

### ***Cost of Services Provided***

Cost of services provided is comprised of expenses related to the consulting, professional, administrative and other support costs 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 2014 and 2013. The decrease in our cost of consulting costs of \$0.2 million was a result of the decrease of the work we performed for our FANR consulting project, as discussed above. We also used less outside consultants to perform work for us in 2014, resulting in an improvement of our gross margins in 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.

See Note 1 and Note 3 of the Notes to our Condensed Consolidated Financial Statements included in Item 1 of this Quarterly Report on Form 10-Q for additional information about our cost of services provided.

### ***Research and Development***

The following table presents our research and development expenses for the three months presented, (in millions):

	Three Months Ended March 31,			
	2014		2013	
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 2014 was primarily due to a decrease in salaries and wages. All of our research and development activities are 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 continue to invest an additional \$3-4 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 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 for the three months presented, (dollars in millions):

	Three Months Ended March 31,	
	2014	2013
General and administrative expenses	\$ 1.1	\$ 0.9

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 increase of \$0.2 million was mostly related to the increase in payroll expenses and benefits of \$0.2 million and an increase in professional fees of \$0.1 million, offset by a decrease in stock-based compensation expense of \$0.1 million as a result of a significant amount of equity awards which fully vested in prior years.

See Note 8 of the Notes to our Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for information regarding our stock-based compensation.

### ***Interest Income and Other, Net***

Interest income and other income and expenses, net, decreased approximately \$14,000 for the three months ended March 31, 2014 as compared to the three months ended March 31, 2013 due to the decrease in cash equivalents and marketable securities balances in 2014.

### ***Provision for Income Taxes***

The following table presents our provision for income taxes. Our effective tax rate for the periods presented is 40%.

	Three Months Ended March 31,	
	2014	2013
Provision for income taxes	\$ -	\$ -

We incurred a net loss for both 2014 and 2013, 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 March 31, 2014 and 2013.

See Note 5 of the Notes to our Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for information regarding our Income Taxes.

**Liquidity, Capital Resources and Financial Position**

As of March 31, 2014, we had total cash and cash equivalents, restricted cash and marketable securities of approximately \$2.8 million. Our working capital at March 31, 2014, is approximately \$3.1 million. Our projected monthly cash flow shortfall from our current operations is approximately \$300,000 per month. We anticipate, based on our projected working capital requirements, including the expected proceeds of an equity financing to take place sometime in 2014, that we will have enough working capital funds to sustain our current operations for the next 12 months. We will need to raise additional capital in 2014 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. Currently, we are working on consulting revenue opportunities with the overall goal of increasing our profitability and cash flow.

The following table provides detailed information about our net cash flow for all financial statements periods presented in this Report.

**Cash Flow (in millions)**

	Three Months Ended March 31,	
	2014	2013
Net cash used in operating activities	\$ (1.5)	\$ (1.1)
Net cash provided by investing activities	-	-
Net cash provided by financing activities	-	-
Net cash inflow (outflow)	\$ (1.5)	\$ (1.1)

**Operating Activities**

Cash used in operating activities for the three months ended March 31, 2014, consisted of net loss adjusted for non-cash expense items such as depreciation and amortization, as well as the effect of changes in working capital. Cash used in operating activities for the three months ended March 31, 2014, consisted of a net loss of \$1.4 million and net adjustments for non-cash expense items totaling \$0.1 million, consisting of stock-based compensation of \$0.1 million. Total cash used in working capital totaled \$0.2 million. The cash provided by working capital was due to an increase in accounts payable, accrued expenses and other current liabilities of \$0.1 million. This increase was offset by an increase in accounts receivable of \$0.1 million and an increase in prepaid expenses and other assets of \$0.2 million.

Cash used in operating activities for the three months ended March 31, 2013, consisted of net loss adjusted for non-cash expense items such as depreciation and amortization, as well as the effect of changes in working capital. Cash used in operating activities for the three months ended March 31, 2013, consisted of a net loss of \$1.3 million and net adjustments for non-cash expense items totaling \$0.1 million, consisting of stock-based compensation of \$0.1 million. Total cash used for working capital totaled \$0.1 million. The cash used for working capital was due to the decrease in accounts receivable of \$0.2 million offset by an increase in prepaid expenses and other assets of \$0.1 million.

**Investing Activities**

Net cash provided by our investing activities for the three months ended March 31, 2014, as compared to net cash used by our investing activities in 2013, decreased by \$26,000. Such decrease was due to the decrease in purchase of our marketable securities of \$18,000 and a decrease in our patent costs of \$8,000. Patent applications costs are 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 provided by (used in) our financing activities for the three months ended March 31, 2014, as compared to 2013 remained the same for both periods.

See Note 8 of the Notes to our Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for information regarding our Stockholders' Equity.

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

We will seek new financing or additional sources of capital, depending on the capital market conditions, in 2014.

The primary potential sources of cash available to us are as follows:

1. Equity investment from investors;
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 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. We may be unable to form such strategic alliances on terms acceptable to us or at all.

Currently, we are working on revenue opportunities with the overall goal of achieving profitability and increasing our cash flow. We anticipate entering into consulting and technology agreements with our existing and new potential clients, which will generate additional revenues and cash flows for us in 2014 and beyond. We have written proposals out to these prospects, which as of the date of this filing are pending approval.

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. We will need to raise additional capital in 2014 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 beginning to explore. 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 the funding for our anticipated research and development expenses of our nuclear fuel technologies, of \$3 million to \$4 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. This evaluation was carried out under the supervision and with the participation of our management, including our President and Chief Executive Officer, and our Chief Financial Officer. Based upon that evaluation, management concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that it files or submits under the Exchange Act is accumulated and communicated to management (including the 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.

### *Changes in Internal Controls Over Financial Reporting*

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

### *Limitations on Effectiveness of Controls and Procedures*

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

## **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. We are currently not aware of any such legal proceedings or claims that we believe will have a material adverse effect on our business, financial condition or operating results.



## ITEM 1A. RISK FACTORS

### Risks Associated with our Fuel Technology Business

***If we are unable to enter into one or more commercial agreements with nuclear fuel fabricators and/or vendors, we may not be able to raise money on terms acceptable to us or at all.***

Based on our current cash position, we expect to seek new financing or additional sources of capital, depending on the capital market conditions, over the next 12 months in order to fund ongoing research and development activities for our nuclear fuel technology. New consulting revenue might be able to extend that date somewhat. Our current plan is to seek external funding from third party sources to support a large portion of the remaining development, testing and demonstration activities relating to our metallic nuclear fuel technology. We are currently in discussions with fuel vendors/fabricators regarding entry into commercial agreements to support our research and development activities and further enhance the development of our fuel products. Though we are unable to provide a reliable estimate as to the likelihood or timing of any such commercial agreements, we hope to be able to announce significant progress in these endeavors in 2014. If we are unable to demonstrate meaningful progress towards entry into these commercial agreements or other strategic arrangements to further the development of our fuel products, it may be difficult for us to raise additional capital on terms acceptable to us or at all. If we are unable to raise additional capital over the next 12 months, it is unlikely that we may be able to execute our current business plan.

***Our fuel designs have never been tested in an existing commercial reactor and actual fuel performance, as well as the willingness of commercial reactor operators and fuel fabricators to adopt a new design, is uncertain.***

Nuclear power research and development entails significant technological risk. New designs must undergo extensive development and testing necessary for regulatory approval. Our fuel designs are still in the research and development stage and while certain testing on our fuel technologies has been completed, further testing and experiments will be required in test facilities. Furthermore, the fuel technology has yet to be demonstrated in operating conditions analogous to those found in an existing commercial reactor. Until we are able to successfully demonstrate operation of our fuel designs in an actual commercial reactor, we will not be certain about the ability of the fuel we design to perform as expected. In addition, there is also a risk that suitable testing facilities may not be available to us on a timely basis, which could cause development program schedule delays.

We will also have to enter into a commercial arrangement with a fuel fabricator to actually produce fuel using our designs.

If our fuel designs do not perform as anticipated in commercial reactor conditions, we will not realize revenues from licensing or other use of our fuel designs.

***Potential competitors could limit opportunities to license our technology.***

Part of our strategy is to partner with major fuel fabricators through technology licensing arrangements. However, these fuel fabricators may potentially develop new nuclear fuel designs that can be used in the same types of reactors as those targeted by us. Existing fuel fabricators also have established commercial connections to nuclear power facilities that we do not have. If these types of companies were to compete with our nuclear fuel design technology, opportunities to license our technology would be limited.

Moreover, many of these fuel fabricators have substantially greater financial, technological, managerial and research and development resources and experience than we do. Despite our head-start in overcoming the significant regulatory and technological hurdles to commercializing nuclear fuel designs, these larger companies may be better able to handle the corresponding long-term financial requirements.

***We serve the nuclear power industry, which is highly regulated. Our fuel designs differ from fuels currently licensed and used by commercial nuclear power plants. The regulatory licensing and approval process for nuclear power plants to use our fuels may be delayed and made more costly, and industry acceptance of our fuels may be hampered.***

The nuclear power industry is a highly regulated industry. All entities that operate nuclear facilities and transport nuclear materials are subject to the jurisdiction of the U.S. Nuclear Regulatory Commission, or its counterparts around the world.

Our fuel designs differ significantly in some aspects from the fuel used today by commercial nuclear power plants. These differences will likely result in more prolonged and extensive review by the U.S. Nuclear Regulatory Commission or its counterparts around the world that could cause development program schedule delays. Entities within the nuclear industry may be hesitant to be the first to use our fuel, which has little or no history of successful commercial use. Furthermore, fuel development timeline relies on the relevant nuclear regulator to accept and approve technical information and documentation about our fuel that is generated during the research and development program. There is a risk that the regulator may require additional information regarding the fuel's behavior or performance that necessitates additional, unplanned analytical and/or experimental work which could cause program schedule delays and require more research and development funding.

***Existing commercial nuclear infrastructure in many countries is limited to uranium material enrichments up to 5%. Our metallic fuel is enriched to higher levels which would require modifications to existing commercial nuclear infrastructure and could impede commercialization of our technology.***

Existing commercial nuclear infrastructure, including conversion facilities, enrichment facilities, fabrication facilities, fuel storage facilities, fuel handling procedures, fuel operation at reactor sites, used fuel storage facilities and shipping containers, were designed and are currently licensed to handle uranium enrichment up to 5%. Our fuel designs are expected to have enrichment levels up to 19.7% and would therefore require certain modifications to existing commercial nuclear infrastructure to enable commercial nuclear facilities to handle our fuels. Those nuclear facilities will need to go through a regulatory licensing process and obtain regulatory approvals to be able to handle uranium with enrichment levels up to 19.7% and operate commercial reactors using our fuel. There is a risk that some relevant entities within the nuclear power industry may be slow in making any required facility infrastructure modifications or obtaining required licenses or approvals to handle our fuel or operate commercial reactors using our fuel. There is also a political risk associated with possible negative perception in the news media and among some nuclear critics of uranium enrichments greater than 5% that could potentially delay or hinder regulatory approval of our nuclear fuel designs.

Our nuclear fuel designs rely on fabrication technologies that in certain material ways are different from the fabrication techniques presently utilized by existing commercial fuel fabricators. In particular, our metallic fuel rods must be produced using a co-extrusion fabrication process. Presently, most commercial nuclear fuel is produced using a pellet fabrication technology, whereby uranium oxide is packed into small pellets that are stacked and sealed inside metallic tubes. Our co-extrusion fabrication technology involves extrusion of a single-piece solid fuel rod from a metallic matrix containing uranium and zirconium alloy. Fabrication of full-length (approximately 3.5 to 4.5 meters) metallic fuel rods has yet to be demonstrated. There is a risk that the fuel fabrication process utilized to produce one meter long metallic fuel rods may not be adaptable to the fabrication of full-length metallic fuel rods used in commercial reactors.



***Our plans to develop our fuel designs depend on our ability to acquire the rights to the designs, data, processes and methodologies that are used or may be used in our business in the future. If we are unable to obtain such rights on reasonable terms in the future, our ability to exploit our intellectual property may be limited.***

We are currently conducting fuel assembly design and testing work in Russia through our Moscow office personnel as well as Russian research institutes and other nuclear entities that are owned or are closely affiliated with the government of the Russian Federation. We do not currently possess all of the necessary know-how or have licensing or other rights to acquire or utilize certain designs, data, methodologies or processes required for the fabrication of our fuel assemblies. If we, or a fuel fabricator to whom we license our fuel technology, desire to utilize such existing processes or methodologies in the future, a license or other right to use such technologies from the Russian entities that previously developed and own such technologies would be required. Alternatively, we would have to develop our own know-how necessary for fabrication of our metallic fuel. Nuclear operators typically seek diversity of fuel supply and may be hesitant to use a fuel product that is only available from a single supplier. If we are unable to obtain a license or other right to acquire or utilize certain processes or develop our own know-how required for the fabrication of our fuel assemblies, or there is only a single supplier of our fuel assemblies, then we may not be able to fully exploit our intellectual property and may be hindered in the sale of our fuel products and services.

***Our research operations are conducted primarily in Russia, making them subject to political uncertainties relating to Russia and U.S.-Russian relations.***

Much of our present research activities are being conducted in Russia. Our research operations conducted in Russia are subject to various political risks and uncertainties inherent in the country of Russia. If U.S.- Russia relations deteriorate, the Russian government may decide to scale back or even cease completely its cooperation with the United States on various international projects, including nuclear power technology development programs, or the U.S. government may decide to impose sanctions or other legal restrictions preventing U.S. businesses from doing business in Russia. If this should happen, our research and development program in Russia could be scaled back or shut down, which could cause development program schedule delays and may require additional funding to access alternative testing facilities outside of Russia. The Russian institutes and other nuclear entities engaged in our project are highly regulated and, in many instances, are controlled by the Russian government. The Russian government could decide that the nuclear scientists engaged in our project in Russia or testing facilities employed in our project should be redirected to other high priority national projects in the nuclear sector which could lead to development program schedule delays. Certain future research and development activities to be performed by Russian entities under contract with us will require formal authorization from the Russian State Atomic Energy Corporation, or Rosatom, which owns those entities and is the main Russian government agency that oversees Russia's civil nuclear power industry. Rosatom requires that all collaborative projects with U.S. entities fall into one of the collaboration areas outlined in a government-to-government agreement that was entered into by and between the United States and Russia soon after the 123 Agreement on peaceful nuclear cooperation between the two countries came into force (which occurred in late 2010). Rosatom requires that the U.S. Department of Energy, or DOE, issue an official endorsement of each commercial project proposed for collaboration between a U.S. entity and Rosatom. Without such DOE endorsement and designation of the project by DOE as consistent with one of the collaboration areas outlined in the above-mentioned government-to-government agreement, Rosatom is unlikely to cooperate and participate in the proposed project. Lightbridge did receive a letter from DOE confirming that our proposed collaborative projects with Rosatom fall under the 123 agreement, which we understand has satisfied the Rosatom requirements. Until commercial negotiations with Rosatom and/or its subsidiary companies are concluded and a legally binding agreement is entered into between the parties, a risk of development program schedule delays or a lack of sufficient interest from Rosatom or its entities in proposed collaboration still remains. A lack of a legally binding agreement with Rosatom and/or its subsidiary companies may also adversely affect our ability to raise new capital at terms acceptable to us.

***Applicable Russian intellectual property law may be inadequate to protect our intellectual property, which could have a material adverse effect on our business.***

Intellectual property rights are evolving in Russia, trending towards international norms, but are by no means fully developed. While we are continuing to diversify our research and development activities with associated intellectual property, historically, we have worked closely with our Russian branch office employees and other Russian contractors and entities to develop a significant portion of our material intellectual property. Our rights in this intellectual property, therefore, derive, or are affected by, Russian intellectual property laws. If the application of these laws to our intellectual property rights proves inadequate, then we may not be able to fully avail ourselves of our intellectual property and our business model may fail or be significantly impeded.

***If the DOE were to successfully assert that an invention claimed within our 2007 or 2008 Patent Cooperation Treaty, or PCT, patent applications was first conceived or actually reduced to practice under a contract with the DOE, then our intellectual property rights in that invention would become compromised and our business model could fail or become significantly impeded.***

Work on finite aspects and/or testing of some subject matter disclosed in our 2007 and 2008 Russian PCT patent applications was done under a government contract with the DOE. If the DOE asserted that an invention claimed in the 2007 and/or 2008 Russian PCT applications was first conceived or actually reduced to practice under such a contract, and a U.S. court agreed, the DOE could gain an ownership interest in such an invention outside of the Russian Federation and our intellectual property rights in that claimed invention would become compromised and our business model may then fail or be significantly impeded.

***If we are unable to obtain or maintain intellectual property rights relating to our technology, the commercial value of our technology may be adversely affected, which could in turn adversely affect our business, financial condition and results of operations.***

Our success and ability to compete depends in part upon our ability to obtain protection in the United States and other countries for our nuclear fuel designs by establishing and maintaining intellectual property rights relating to or incorporated into our fuel technologies and products. We own a variety of patents and patent applications in the United States, as well as corresponding patents and patent applications in several other jurisdictions. We have not obtained patent protection in each market in which we plan to compete. We do not know how successful we would be should we choose to assert our patents against suspected infringers. Our pending and future patent applications may not issue as patents or, if issued, may not issue in a form that will be advantageous to us. Even if issued, patents may be challenged, narrowed, invalidated or circumvented, which could limit our ability to stop competitors from marketing similar products or limit the length of term of patent protection we may have for our products. Changes in either patent laws or in interpretations of patent laws in the United States and other countries may diminish the value of our intellectual property or narrow the scope of our patent protection, which could in turn adversely affect our business, financial condition and results of operations.

***If we infringe or are alleged to infringe intellectual property rights of third parties, our business, financial condition and results of operations could be adversely affected.***

Our nuclear fuel designs may infringe, or be claimed to infringe, patents or patent applications under which we do not hold licenses or other rights. Third parties may own or control these patents and patent applications in the United States and elsewhere. Third parties could bring claims against us that would cause us to incur substantial expenses and, if successfully asserted against us, could cause us to pay substantial damages. If a patent infringement suit were brought against us, we could be forced to stop or delay commercialization of the fuel design or a component thereof that is the subject of the suit. As a result of patent infringement claims, or in order to avoid potential claims, we may choose or be required to seek a license from the third party and be required to pay license fees, royalties or both. These licenses may not be available on acceptable terms, or at all. Even if we were able to obtain a license, the rights may be nonexclusive, which could result in our competitors gaining access to the same intellectual property. Ultimately, we could be forced to cease some aspect of our business operations if, as a result of actual or threatened patent infringement claims, we are unable to enter into licenses on acceptable terms. This could significantly and adversely affect our business, financial condition and results of operations. In addition to infringement claims against us, we may become a party to other types of patent litigation and other proceedings, including interference proceedings declared by the United States Patent and Trademark Office regarding intellectual property rights with respect to our nuclear fuel designs. The cost to us of any patent litigation or other proceeding, even if resolved in our favor, could be substantial. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their greater financial resources. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace. Patent litigation and other proceedings may also absorb significant management time.

***Our nuclear fuel process is dependent on outside suppliers of nuclear and other materials and any difficulty by a fuel fabricator in obtaining these materials could be detrimental to our ability to eventually market our fuel through a fuel fabricator.***

Production of fuel assemblies using our nuclear fuel designs is dependent on the ability of fuel fabricators to obtain supplies of nuclear material utilized in our fuel assembly design. Fabricators will also need to obtain metal for components, particularly zirconium or its alloys. These materials are regulated and can be difficult to obtain or may have unfavorable pricing terms. Any difficulties in obtaining these materials by fuel fabricators could have a material adverse effect on their ability to market fuel based on our technology.

## **General Business Risks**

***If the price of non-nuclear energy sources falls, there could be an adverse impact on new build nuclear reactor activities in certain markets, which would have a material adverse effect on our operations.***

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 fall, it could limit the deployment of new build nuclear power plants in such markets. This could reduce the size of the potential markets for both our fuel technology and our consulting services.

***We may be adversely affected by uncertainty in the global financial markets and worldwide economic downturn.***

Our future results may be adversely affected by the worldwide economic downturn, continued volatility or further deterioration in the debt and equity capital markets, inflation, deflation, or other adverse economic conditions that may negatively affect us. At present, it is likely that we will require additional capital in the near future in order to fund our operations. Due to the above listed factors, we cannot be certain that additional funding will be available on terms that are acceptable to us, or at all.





***We may be adversely affected by public opposition to nuclear energy as a result of the major nuclear accident at Fukushima, Japan.***

The major nuclear accident at the Fukushima nuclear power plant in Japan following the massive tsunami and strong earthquake that occurred on March 11, 2011, increased public opposition to nuclear power in some countries, resulting in a slowdown in, or a complete halt to, new construction of nuclear power plants and an early shut down of existing power plants in select countries. As a result, some countries that were considering launching new domestic nuclear power programs before the Fukushima accident have delayed or cancelled preparatory activities they were planning to undertake as part of such programs. This has diminished the number of consulting opportunities that we could compete on globally, at least in the near-term. In addition, the Fukushima accident appears to have shrunk the projected size of the global nuclear power market in 2025-2030 as reflected in the most recent reference case projections published by the World Nuclear Association.

***Our limited operating history makes it difficult to judge our prospects.***

Prior to 2008, we were a development stage company. We have commenced the provision of nuclear consulting services and currently have only a limited number of clients in this area of our business. Similarly, our fuel design patents and technology have not been commercially used and we have not received any royalty or sales revenue from this area of our business. We are subject to the risks, expenses and problems frequently encountered by companies in the early stages of development.

***We rely upon certain members of our senior management, including Seth Grae, and the loss of Mr. Grae or any of our senior management would have an adverse effect on the Company.***

Our success depends upon certain members of our senior management, including Seth Grae, Chief Executive Officer of the Company. Mr. Grae's knowledge of the nuclear power industry, his network of key contacts within that industry and in governments and, in particular, his expertise in the potential markets for the Company's technologies, is critical to the implementation of our business model. Mr. Grae is likely to be a significant factor in our future growth and success. The loss of services by Mr. Grae would likely have a material adverse effect on our Company.

***Competition for highly skilled professionals could have a material adverse effect on our success.***

We rely heavily on our contractor staff and management team. Our success depends, in large part, on our ability to hire, retain, develop and motivate highly skilled professionals. Competition for these skilled professionals is intense and our inability to hire, retain and motivate adequate numbers of consultants and managers could adversely affect our ability to meet client needs and to continue the development of our fuel designs. A loss of a significant number of our employees could have a significant negative effect on us. Any significant volatility or sustained decline in the market price of our common stock could impair our ability to use equity-based compensation to attract, retain and motivate key employees and consultants.

***Successful execution of our business model is dependent upon public support for nuclear power and overcoming public opposition to nuclear energy as a result of the major nuclear accident at Fukushima.***

Successful execution of our business model is dependent upon public support for nuclear power in the United States and other countries. Nuclear power faces strong opposition from certain competitive energy sources, individuals and organizations. A major nuclear accident that occurred at the Fukushima nuclear power plant in Japan that is believed to have been caused by a major tsunami wave produced by a strong earthquake that hit Japan on March 11, 2011, could have a significant adverse effect on public opinion about nuclear power and the favorable regulatory climate needed to introduce new nuclear technologies. Strong public opposition could hinder the construction of new nuclear power plants and lead to early shut-down of the existing nuclear power plants. Furthermore, nuclear fuel fabrication and the use of new nuclear fuels in reactors must be licensed by the U.S. Nuclear Regulatory Commission and

equivalent governmental authorities around the world. In many countries, the licensing process includes public hearings in which opponents of the use of nuclear power might be able to cause the issuance of required licenses to be delayed or denied. Following the Fukushima nuclear accident, some countries have announced their plans to delay, scale down or cancel deployment of new nuclear power plants while others, such as Germany, have decided to completely phase out nuclear power over the coming years.

***We may not be able to receive or retain authorizations that may be required for us to sell our services, or license our technology internationally.***

The sales and marketing of our services and technology internationally may be subject to U.S. export control regulations and the export control laws of other countries. Governmental authorizations may be required before we can export our services or technology. If authorizations are required and not granted, our international business plans could be materially affected. The export authorization process is often time consuming. Violation of export control regulations could subject us to fines and other penalties, such as losing the ability to export for a period of years, which would limit our revenue growth opportunities and significantly hinder our attempts to expand our business internationally.

The U.S. Department of Energy (DOE) is currently finalizing its review of our Part 810 export authorization request which is required in order for us to be able to enter into an agreement relating to our proposed collaboration with Rosatom or its subsidiary companies.

***Risks Associated With Our Consulting Activities.***

***Our inability to attract business from new clients, maintain current levels of business, or retain our existing clients could have a material adverse effect on us.***

We expect that many of our future client engagement agreements will be terminable by our clients with little or no notice and without penalty. Some of our work may involve multiple engagements or stages. In those engagements, there is a risk that a client may choose not to retain us for additional stages of an engagement or that a client will cancel or delay additional planned engagements. In addition, a small number of existing clients account for a majority of our consulting revenues, the loss of any one of which would have a material adverse effect on our results of operations. Some of our existing clients reduced their utilization of our consulting services in 2013. Our current consulting clients are not contractually obligated to purchase a certain level of services from us and may significantly reduce their utilization of our services, resulting in a material reduction in revenue.

***Our future profitability will suffer if we are not able to maintain current pricing and utilization rates.***

Our revenue, and our profitability, will be largely based on the billing rates charged to clients and the number of hours our professionals will work on client engagements, which we define as the utilization of our professionals. Accordingly, if we are not able to maintain the pricing for our services or an appropriate utilization rate for our professionals, revenues, project profit margins and our future profitability will suffer. Bill rates and utilization rates are affected by a number of factors, including:

- our ability to predict future demand for services and maintain the appropriate headcount and minimize the number of underutilized personnel;
- our clients' perceptions of our ability to add value through our services;

our competitors pricing for similar services;  
the market demand for our services; and  
our ability to manage significantly larger and more diverse workforces as we increase the number of our professionals and execute our growth strategies.

***Unsuccessful future client engagements could result in damage to our professional reputation or legal liability, which could have a material adverse effect on us.***

Our professional reputation and that of our personnel is critical to our ability to successfully compete for new client engagements and attract or retain professionals. Any factors that damage our professional reputation could have a material adverse effect on our business.

Any client engagements that we obtain will be subject to the risk of legal liability. Any public assertion or litigation alleging that our services were negligent or that we breached any of our obligations to a client could expose us to significant legal liabilities, could distract our management and could damage our reputation. We carry professional liability insurance, but our insurance may not cover every type of claim or liability that could potentially arise from our engagements. The limits of our insurance coverage may not be enough to cover a particular claim or a group of claims, and the costs of defense.

***Our results of operations could be adversely affected by disruptions in the marketplace caused by economic and political conditions.***

Global economic and political conditions affect our clients' businesses and the markets they serve. A severe and/or prolonged economic downturn or a negative or uncertain political climate could adversely affect our clients' financial condition and the levels of business activity engaged in by our clients and the industries we serve. Clients could determine that discretionary projects are no longer viable or that new projects are not advisable. This may reduce demand for our services, depress pricing for our services or render certain services obsolete, all of which could have a material adverse effect on our results of operations. Changes in global economic conditions or the regulatory or legislative landscape could also shift demand to services for which we do not have competitive advantages, and this could negatively affect the amount of business that we are able to obtain. Although we have implemented cost management measures, if we are unable to appropriately manage costs or if we are unable to successfully anticipate changing economic and political conditions, we may be unable to effectively plan for and respond to those changes, and our business could be negatively affected.

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

***There may be volatility in our stock price, which could negatively affect investments, and stockholders may not be able to resell their shares at or above the value they originally purchased such shares.***

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

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



future sales of common stock; and  
nuclear accidents or other adverse nuclear industry events.

The stock market may experience extreme volatility that is often unrelated to the performance of particular companies. These market fluctuations may cause our stock price to fall regardless of its performance.

*Failure to raise additional capital or generate the cash flows necessary to expand our operations and continue our research and development could hinder our business prospects.*

We may need to raise additional funds, and we may not be able to obtain additional debt or equity financing on favorable terms, if at all. If we raise additional equity or convertible debt financing, our stockholders may experience significant dilution of their ownership interests and the per share value of our common stock could decline. If we engage in debt financing, we may be required to accept terms that restrict our ability to incur additional indebtedness and force us to maintain specified liquidity or other ratios. If we need additional capital and cannot raise it on acceptable terms, we may not be able to fully develop our nuclear fuel designs, among other things.

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

None

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

There were no defaults upon senior securities during the fiscal quarter ended March 31, 2014.

## ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

## ITEM 5. OTHER INFORMATION

Not Applicable.

## ITEM 6. EXHIBITS

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

<i>Exhibit Number</i>	<i>Description</i>
31.1	Rule 13a-14(a)/15d-14(a) Certification - Principal Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification - Principal Financial Accounting Officer
32	Section 1350 Certifications
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

\*XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections



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 to be signed on its behalf by the undersigned, thereto duly authorized individuals.

Date: May 8, 2014

**LIGHTBRIDGE CORPORATION**

By: /s/ Seth Grae

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Name: Seth Grae

Title: President, Chief Executive Officer and Director  
(Principal Executive Officer)

By: /s/ James Guerra

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Name: James Guerra

Title: Chief Operating Officer and Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

**EXHIBIT INDEX**

<i>Exhibit Number</i>	<i>Description</i>
<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

\*XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.