

LIGHTBRIDGE Corp
Form 10-Q
August 08, 2017

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: **June 30, 2017**

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)

91-1975651
(I.R.S. Empl.)

of incorporation or organization)

Ident. No.)

11710 Plaza America Drive, Suite 2000

Reston, VA 20190

(Address of principal executive offices, Zip Code)

(571) 730-1200

(Registrant's telephone number, including area code)

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

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

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

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

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

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

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 the issuer's common stock, as of July 31, 2017 is as follows:

Class of Securities	Shares Outstanding
Common Stock, \$0.001 par value	10,738,905

LIGHTBRIDGE CORPORATION

FORM 10-Q

JUNE 30, 2017

Page

PART I – FINANCIAL INFORMATION

Item 1.	Financial Statements (unaudited)	
	<u>Condensed Consolidated Balance Sheets as of June 30, 2017 (unaudited) and December 31, 2016</u>	3
	<u>Condensed Consolidated Statements of Operations for the three months and six months ended June 30, 2017 and 2016 (unaudited)</u>	4
	<u>Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2017 and 2016 (unaudited)</u>	5
	<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	6
	<u>Forward - Looking Statements</u>	17
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	18
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	28
Item 4.	Controls and Procedures	29

PART II – OTHER INFORMATION

Item 1.	Legal Proceedings	30
Item 1A.	Risk Factors	30
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	30
Item 3.	Defaults Upon Senior Securities	30
Item 4.	Mine Safety Disclosures	30
Item 5.	Other Information	30
Item 6.	Exhibits	30

<u>SIGNATURES</u>	31
--------------------------	-----------

PART I—FINANCIAL INFORMATION

Lightbridge Corporation
Condensed Consolidated Balance Sheets

	June 30, 2017 (Unaudited)	December 31, 2016
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 3,992,160	\$ 3,584,877
Restricted cash	114,059	114,012
Accounts receivable - project revenue and reimbursable project costs	10,889	388,434
Prepaid expenses and other current assets	131,317	80,933
Deferred financing costs, net	491,168	491,168
Total Current Assets	4,739,593	4,659,424
Other Assets		
Patent costs	1,275,637	1,160,465
Deferred financing costs, net	736,877	982,486
Total Other Assets	2,012,514	2,142,951
Total Assets	\$ 6,752,107	\$ 6,802,375
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 1,002,339	\$ 1,216,321
Total Current Liabilities	1,002,339	1,216,321
Long-Term Liabilities		
Deferred lease abandonment liability	-	28,464
Total Liabilities	1,002,339	1,244,785
Commitments and Contingencies - Note 4		
Stockholders' Equity		
Preferred stock, \$0.001 par value, 10,000,000 authorized shares, convertible Series A preferred shares, 1,020,000 shares issued and outstanding at June 30, 2017 and December 31, 2016.	1,020	1,020
Common stock, \$0.001 par value, 100,000,000 authorized, 9,911,864 shares and 7,112,143 shares issued and outstanding as of June 30, 2017 and December 31, 2016, respectively	9,912	7,112
Additional paid-in capital	89,838,423	86,266,075
Accumulated deficit	(84,099,587)	(80,716,617)
Total Stockholders' Equity	5,749,768	5,557,590
Total Liabilities and Stockholders' Equity	\$ 6,752,107	\$ 6,802,375

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

Table of Contents

Lightbridge Corporation
Unaudited Condensed Consolidated Statements of Operations

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenue:				
Consulting Revenue	\$ 14,425	\$ 122,377	\$ 149,910	\$ 288,923
Cost of Consulting Services Provided	4,300	62,137	89,663	130,362
Gross Margin	10,125	60,240	60,247	158,561
Operating Expenses				
General and administrative	971,290	1,112,582	2,179,592	2,208,694
Research and development	545,644	419,498	1,009,987	1,005,748
Total Operating Expenses	1,516,934	1,532,080	3,189,579	3,214,442
Operating Loss	(1,506,809)	(1,471,840)	(3,129,332)	(3,055,881)
Other Income and (Expenses)				
Warrant revaluation	-	311,645	-	1,565,499
Warrant modification expense	-	(129,369)	-	(129,369)
Financing costs	(130,877)	-	(253,681)	-
Investment income	23	274	47	274
Other income (expenses)	-	(7,915)	-	(12,434)
Total Other Income and (Expenses)	(130,854)	174,635	(253,634)	1,423,970
Net loss before income taxes	(1,637,663)	(1,297,205)	(3,382,966)	(1,631,911)
Income taxes	-	-	-	-
Net loss	\$ (1,637,663)	\$ (1,297,205)	\$ (3,382,966)	\$ (1,631,911)
Accumulated preferred stock dividend	(49,000)	-	(98,000)	-
Net loss attributable to common stockholders	(1,686,663)	(1,297,205)	(3,480,966)	(1,631,911)
Net Loss Per Common Share,				
Basic and Diluted	\$ (0.17)	\$ (0.30)	\$ (0.37)	\$ (0.40)
Weighted Average Number of Common Shares Outstanding				
	9,911,864	4,273,031	9,524,939	4,074,104

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

Table of Contents

Lightbridge Corporation
Unaudited Condensed Consolidated Statements of Cash Flows

	Six Months Ended	
	June 30,	
	2017	2016
Operating Activities:		
Net Loss	\$ (3,382,966)	\$ (1,631,911)
Adjustments to reconcile net loss from operations to net cash used in operating activities:		
Stock-based compensation	427,880	550,552
Amortization of deferred financing costs	245,609	-
Warrant revaluation	-	(1,565,499)
Warrant modification expense	-	129,369
Changes in operating working capital items:		
Accounts receivable - fees and reimbursable project costs	377,545	70,101
Prepaid expenses and other assets	(50,384)	(21,482)
Accounts payable and accrued liabilities	(48,540)	231,516
Deferred lease abandonment liability	(72,186)	(154,141)
Net Cash Used in Operating Activities	(2,503,042)	(2,391,495)
Investing Activities:		
Patent costs	(115,172)	(97,924)
Net Cash Used in Investing Activities	(115,172)	(97,924)
Financing Activities:		
Net proceeds from the issuance of common stock	3,025,544	2,991,487
Proceeds from the issuance of note payable	-	135,000
Repayment of note payable	-	(66,964)
Restricted cash	(47)	290,811
Net Cash Provided by Financing Activities	3,025,497	3,350,334
Net Increase in Cash and Cash Equivalents	407,283	860,915
Cash and Cash Equivalents, Beginning of Period	3,584,877	623,184
Cash and Cash Equivalents, End of Period	\$ 3,992,160	\$ 1,484,099
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period:		
Interest paid	\$ -	\$ 1,618
Income taxes paid	\$ -	\$ -
Non-Cash Financing Activity:		
Warrant liability	\$ -	\$ 692,110
Accumulated preferred stock dividend	\$ 98,000	\$ -
Decrease in accrued liabilities - stock-based compensation	\$ 121,720	\$ -

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

Table of Contents

LIGHTBRIDGE CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Basis of presentation

The accompanying unaudited condensed consolidated financial statements of Lightbridge Corporation and its subsidiaries have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission, or the SEC, including the instructions to Form 10-Q and Regulation S-X. Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States of America, including a summary of the Company's significant accounting policies, have been condensed or omitted from these statements pursuant to such rules and regulations and, accordingly, they do not include all the information and notes necessary for comprehensive consolidated financial statements and should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2016, included in our Annual Report on Form 10-K for the year ended December 31, 2016.

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 and six month periods 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.

The Company was formed on October 6, 2006, when Thorium Power, Ltd. merged with Thorium Power, Inc., ("TPI"), which had been formed in the State of Delaware on January 8, 1992. On September 29, 2009, we changed our name from Thorium Power, Ltd. to Lightbridge Corporation (subsequently referred to as "we" or the "Company"). We are engaged in two operating business segments: our Technology Business Segment and our Consulting Business Segment (see Note 7-Business Segment Results).

Going Concern and Liquidity

We have incurred recurring losses since inception and expect to continue to incur losses as a result of costs and expenses related to our research and continued development of our nuclear fuel and our corporate general and administrative expenses. At June 30, 2017, we had \$4.1 million in cash and restricted cash. We have expended substantial funds on the research and development of our fuel technology and expect to increase our spending on research and development expenditures if we are able to execute on a potential joint venture with AREVA NP. Our net losses incurred for the three months and six months ended June 30, 2017 amounted to \$1.6 million and \$3.4 million, respectively, and working capital was approximately \$3.7 million at June 30, 2017. As a result, there is substantial doubt about our ability to continue as a going concern. In the event that we are unable to generate sufficient cash from our operating activities or raise additional funds, we may be required to delay, reduce or severely curtail our operations or otherwise impede our on-going business efforts, which could have a material adverse effect on our business, operating results, financial condition and long-term prospects. The Company expects to seek to obtain additional funding through future equity issuances. There can be no assurance as to the availability or terms upon which such financing and capital might be available.

On June 11, 2015, the Company entered into an at-the-market issuance (“ATM”) sales agreement with MLV & Co. LLC (“MLV”) (see Note 6), pursuant to which the Company may issue and sell shares of its common stock from time to time through MLV as the Company's sales agent. On September 1, 2015, MLV was acquired by FBR & Co. We raised approximately \$3.0 million, net of financing costs, from our ATM with MLV for the six months ended June 30, 2017. The Company had registered for the sale of up to \$5.8 million of common stock under this ATM sales agreement and had raised the entire \$5.8 million amount of common stock registered under the Prospectus.

Table of Contents

On July 12, 2017, the Company filed a prospectus supplement to register an additional approximate \$1.6 million under a new ATM agreement with FBR Capital Markets & Co. and MLV, signed on July 12, 2017. As the Company's public float was less than \$75.0 million as of June 30, 2017, the Company's usage of its S-3 shelf registration statement is limited. The Company still maintains the ability to raise funds through other means, such as through the filing of a registration statement on Form S-1 or in private placements. The rules and regulations of the SEC or any other regulatory agencies may restrict the Company's ability to conduct certain types of financing activities, or may affect the timing of and amounts it can raise by undertaking such activities.

Reverse Stock Split

Effective July 20, 2016, we conducted a one for five reverse stock-split of our issued and outstanding common stock and have retroactively adjusted our common shares outstanding, options and warrants amounts outstanding. We have presented our share data for and as of all periods presented on this basis. Our authorized capital of 500,000,000 shares of common stock and 50,000,000 shares of preferred stock, each with a par value of \$0.001, was changed to 100,000,000 shares of common stock authorized and 10,000,000 shares of preferred stock authorized with a par value of \$0.001. The par value was not adjusted as a result of the one for five reverse stock split.

Technology Business Segment

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

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

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

Consulting Business Segment

The purpose of our Consulting Business Segment is to generate a positive profit margin that can provide internal cash resources to help defray a portion of the costs associated with our research and development activities and corporate overhead. Through our Consulting Business, we provide consulting and strategic advisory services to companies and governments planning to create or expand electricity generation capabilities using nuclear power plants. We opportunistically seek new consulting work that can generate acceptable profit margins.

Table of Contents

Recently Adopted Accounting Pronouncements

Going Concern — In August 2014, FASB issued guidance that requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued. An entity must provide certain disclosures if conditions or events raise substantial doubt about the entity's ability to continue as a going concern. The updated accounting guidance was effective for the Company on December 31, 2016 and we have implemented this new accounting standard and updated our liquidity disclosures as necessary.

Deferred Taxes – During November 2015, the FASB issued ASU 2015-17, “Balance Sheet Classification of Deferred Taxes”, which simplifies the presentation of deferred income taxes. This ASU requires that deferred tax assets and liabilities be classified on a net basis as non-current in a statement of financial position. Early adoption of this ASU did not have an effect on our deferred tax assets and deferred tax liabilities in our consolidated balance sheets.

Debt Issuance Costs - In April 2015, the FASB issued ASU 2015-03, “Simplifying the Presentation of Debt Issuance Costs”. The new standard will more closely align the presentation of debt issuance costs under U.S. generally accepted accounting principles with the presentation under comparable IFRS standards. Debt issuance costs related to a recognized debt liability will be presented on the balance sheet as a direct deduction from the debt liability, similar to the presentation of debt discounts. The cost of issuing debt will no longer be recorded as a separate asset, except when incurred before receipt of the funding from the associated debt liability. Under current U.S. generally accepted accounting principles, debt issuance costs are reported on the balance sheet as assets and amortized as interest expense. The costs will continue to be amortized to interest expense using the effective interest method. Subsequent to the issuance of ASU 2015-03 the Securities and Exchange Commission staff made an announcement regarding the presentation of debt issuance costs associated with line-of-credit arrangements, which was codified by the FASB in ASU 2015-15. This guidance, which clarifies the exclusion of line-of-credit arrangements from the scope of ASU 2015-03, is effective upon adoption of ASU 2015-03. ASU 2015-03 is effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The implementation of this standard did not have a material impact on the Company's consolidated financial statements.

Stock Compensation - In March 2016, the FASB issued ASU 2016-09, Compensation – Stock Compensation (Topic 718): *Improvements to Employee Share-Based Payment Accounting*, which will simplify the income tax consequences, accounting for forfeitures and classification on the Statement of Consolidated Cash Flows. This standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016, with early adoption permitted. This new pronouncement has been adopted on January 1, 2017 and did not have a material effect on the Company's financial position, results of operations or cash flows.

Recent Accounting Pronouncements

Statement of Cash Flows - In 2016 the FASB issued ASU 2016-15, “*Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments*” and ASU 2016-18, “*Statement of Cash Flows (Topic 230): Restricted Cash*”. ASU 2016-15 addresses the presentation and classification of certain cash receipts and payments in the statement of cash flows. ASU 2016-18 is intended to reduce diversity in the presentation of restricted cash and restricted cash equivalents in the cash flows statement. The statement requires that restricted cash and restricted cash equivalents to be included as components of total cash and cash equivalents as presented on the statement of cash flows. These pronouncements go into effect for periods beginning after December 15, 2017. The Company does not believe the adoption of these pronouncements will have a material effect on the Company’s consolidated financial statements.

Table of Contents

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

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

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 and six months ended June 30, 2017 and 2016, and the effect of including these potential common shares in the net loss per share calculations would be anti-dilutive and are therefore not included in the calculations.

Loss per-share amounts for all periods have been retroactively adjusted to reflect the Company's 1-for-5 reverse stock split, which was effective July 20, 2016.

Table of Contents**Note 3. Accounts Payable and Accrued Liabilities**

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

	June 30, 2017		December 31, 2016	
Trade payables	\$	0.1	\$	0.3
Accrued expenses and other		0.3		0.4
Accrued bonuses		0.6		0.5
Total	\$	1.0	\$	1.2

Note 4. Commitments and Contingencies**Litigation**

A former Chief Financial Officer of the Company filed a complaint against the Company with the U.S. Occupational Safety and Health Administration (the "OSHA Complaint") on March 9, 2015.

The OSHA Complaint alleges that the Company unlawfully retaliated against the former Chief Financial Officer for challenging allegedly improper actions of the Company by making allegedly defamatory statements and terminating him from his employment with the Company. The former Chief Financial Officer's demand for damages is for back pay, front pay, and special damages.

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

Note 5. Research and Development Costs

Research and development costs, included in the accompanying condensed consolidated statement of operations amounted to approximately \$0.5 million and \$0.4 million for the three months ended June 30, 2017 and 2016,

respectively and \$1.0 million for each of the six months ended June 30, 2017 and 2016.

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

Note 6. Stockholders' Equity

All common shares, warrants and stock option amounts and per share amounts for all periods reported below has been retroactively adjusted to reflect the Company's 1-for-5 reverse stock split, which was effective July 20, 2016.

At June 30, 2017, there were 9,911,864 common shares, 1,713,172 common stock warrants, 2,155,580 stock options outstanding and 1,020,000 shares of convertible preferred stock outstanding plus accrued dividends of \$178,578, totaling 1,085,054 equivalent common shares, all totaling 14,865,670 of total common stock and common stock equivalents outstanding at June 30, 2017. At December 31, 2016, there were 7,112,143 common shares, 1,713,172 common stock warrants, 2,172,581 stock options outstanding and 1,020,000 shares of convertible preferred stock outstanding plus accrued dividends of \$ 80,578 totaling 1,049,354 equivalent common shares, all totaling 12,047,250 of total stock and stock equivalents outstanding at December 31, 2016.

Table of Contents

Securities Purchase Agreement – General International Holdings, Inc.

On August 2, 2016, we issued 1,020,000 shares of the Company’s newly created Non-Voting Series A Convertible Preferred Stock (the “Series A Preferred Stock”) to General International Holdings, Inc. (“GIH”) for \$2.8 million or approximately \$2.75 per share. Dividends accrue on the Series A Preferred Stock at the rate of 7% per year and will be paid in-kind. The accumulated dividend (unpaid) at June 30, 2017 was approximately \$0.2 million dollars.

Series A Preferred Stock

On July 29, 2016, in anticipation of the closing of the GIH offering discussed above, the Company filed a Certificate of Designation of Preferences, Rights and Limitations of Non-Voting Series A Convertible Preferred Stock (the “Certificate of Designation”) with the Secretary of State of the State of Nevada. Pursuant to the Certificate of Designation, the Company’s Board of Directors designated a new series of the Company’s preferred stock, the Non-Voting Series A Convertible Preferred Stock, par value \$0.001 per share. The Certificate of Designation authorized the Company to issue 1,020,000 shares of Series A Preferred Stock. Each share of Series A Preferred Stock has a conversion right to convert to one common share and a liquidation preference of \$2.75 per share. The holders of the Series A Preferred Stock have no voting rights. In addition, as long as 255,000 shares of Series A Preferred Stock are outstanding, the Company may not take certain actions without first having obtained the affirmative vote or waiver of the holders of a majority of the outstanding shares of Series A Preferred Stock. The Company has the option at any time after August 2, 2019 to redeem some or all of the outstanding Series A Preferred Stock for an amount in cash equal to the liquidation preference plus the amount of any accrued but unpaid dividends of the Series A Preferred Stock being redeemed. The holders of the Series A Preferred Stock do not have the ability to require the Company to redeem the Series A Preferred Stock.

Aspire Option Agreement

On August 10, 2016 the Company entered into an option agreement with Aspire Capital whereby the Company has the right, at any time prior to December 31, 2019, to require Aspire Capital to enter into with the Company, up to two common stock purchase agreements each with a three year term, with an aggregate amount under both purchase agreements combined not to exceed \$20,000,000. A notice to Aspire exercising the option may be revoked by the Company at any time prior to the parties entering into a purchase agreement without effecting or limiting the Company’s future rights to give a subsequent option notice to Aspire Capital, under the terms and conditions of the option agreement.

The Company issued 500,000 common stock purchase warrants with a strike price of \$0.01 per share to Aspire Capital as the commitment fee for entering into this option agreement. The commitment fee of approximately \$1.7 million was recorded as deferred financing costs and additional paid-in capital and this asset will be amortized over the life of the option agreement. The amortized amount of \$0.1 and \$0.3 million was expensed to financing costs during the three and six months ended June 30, 2017, respectively. The total short-term and long-term unamortized portion is carried on the balance sheet as deferred financing costs. The short-term portion was approximately \$0.5 million and the long-term portion was approximately \$0.7 million, at June 30, 2017. The short-term portion was approximately \$0.5 million and long-term portion was approximately \$1.0 million, at December 31, 2016.

Table of Contents

The assumptions used in the Black Scholes option-pricing model for the year ended December 31, 2016, was as follows:

Closing price per share of common stock	\$	3.34
Average risk-free interest rate		0.83%
Average expected life- years		3.38
Expected volatility		92.61%
Expected dividends		0%

The future amortization of deferred financing costs is as follows (in millions):

2017	\$	0.2
2018	\$	0.5
2019	\$	0.5

Equity Purchase Agreement – Equity Line

On September 4, 2015, we entered into a common stock purchase agreement with Aspire Capital, which provides that Aspire Capital is committed to purchase up to an aggregate of \$10.0 million of shares of our common stock over a two-year term, subject to certain limitations. There were no sales made for the three months ended June 30, 2017. We presently do not have an effective Form S-1 registration statement on file with the Securities and Exchange Commission as of the date of this filing, to sell common shares under this equity purchase agreement.

For the three months and six months ended June 30, 2016 we sold 0.0 million and 0.3 million common shares, respectively, for total gross proceeds of approximately \$0.0 and \$0.6 million through the equity line financing arrangement with Aspire Capital that we have in place.

ATM Offering

On June 11, 2015, the Company entered into an at-the-market issuance (“ATM”) sales agreement with MLV & Co. LLC (“MLV”), pursuant to which the Company may issue and sell shares of its common stock from time to time through MLV as the Company's sales agent. On September 1, 2015, MLV was acquired by FBR & Co. The issuance and sale of shares by the Company under the sales agreement are registered shares under the Company's shelf registration

statement on Form S-3, as filed with the Securities and Exchange Commission on June 11, 2015 and declared effective by the Securities and Exchange Commission. The Company registered the sale of up to \$5.8 million of common stock under the ATM sales agreement and sold all these registered shares. There have been approximately 2.7 million shares sold for total gross proceeds of approximately \$3.2 million through the ATM for the six month period ended June 30, 2017. There have been approximately 1.9 million shares sold for total gross proceeds of approximately \$2.6 million through the ATM for the twelve month period ended December 31, 2016.

Table of ContentsOutstanding Warrants

	June 30, 2017	December 31, 2016
Issued to Investors on July 28, 2010, entitling the holders to purchase 207,000 common shares in the Company at an exercise price of \$45.00 per common share up to and including July 27, 2017. At June 30, 2017 and December 31, 2016, the fair value of these warrants was not significant.	207,000	207,000
Issued to Investors on October 25, 2013, entitling the holders to purchase 250,000 common shares in the Company at an exercise price of \$6.25 per common share up to and including April 24, 2021.	163,986	163,986
Issued to Investors on November 17, 2014, entitling the holders to purchase 546,919 common shares in the Company at an exercise price of 6.25 per common share up to and including May 16, 2022.	546,919	546,919
Issued to an Investor on June 28, 2016, entitling the holders to purchase 295,267 common shares in the Company at an exercise price of \$0.05 per common share (pre-funded) up to and including June 27, 2021. All of these warrants were exercised on a cashless basis in July 2017.	295,267	295,267
Issued to an investor on August 10, 2016, entitling the holders to purchase 500,000 common shares in the Company at an exercise price of price of \$0.01 per share, up to and including December 31, 2019.	500,000	500,000
	1,713,172	1,713,172

These outstanding warrants were reported in the equity section of our balance sheet.

Stock-based Compensation – Stock Options and Restricted Stock**Stock Plan**

On March 25, 2015, the Compensation Committee and Board of Directors approved the 2015 Equity Incentive Plan (the “Plan”) to authorize grants of (a) Incentive Stock Options, (b) Non-qualified Stock Options, (c) Stock Appreciation Rights, (d) Restricted Awards, (e) Performance Share Awards, and (f) Performance Compensation Awards to the

employees, consultants, and directors of the Company. A total of 2,900,000 shares are available for grant under the Plan. The Plan became effective upon ratification by the shareholders of the Company at the shareholders' annual meeting on July 14, 2015.

The Company held its 2016 Annual Meeting on May 12, 2016 and the stockholders voted on the approval of an amendment to the Plan to increase the number of shares authorized for issuance thereunder by 800,000 shares to 1,400,000 shares. At the 2017 Annual Meeting of Stockholders on May 19, 2017, the Company's stockholders approved an amendment to the Plan to increase the number of shares authorized for issuance thereunder by 1,500,000 shares to 2,900,000 shares.

Total stock options outstanding at June 30, 2017 and December 31, 2016, under the 2006 Stock Plan and 2015 Equity Incentive Plan were 2,155,580 and 2,172,581 of which 1,768,746 and 1,722,105 of these options were vested at June 30, 2017 and December 31, 2016, respectively. Stock based compensation was approximately \$0.2 million and \$0.4 million for the three months ended June 30, 2017 and 2016, respectively, and \$0.4 million and \$0.6 million for the six months ended June 30, 2017 and 2016, respectively.

2016 Non-Qualified Option Grants

On November 9, 2016, the Board of Directors granted non-qualified stock options relating to approximately 670,000 shares under the 2015 Equity Incentive Plan to employees and consultants of the Company. These stock options were granted by the Board of Directors upon recommendation by the Compensation Committee and vested immediately, with a strike price of \$1.54, which was the closing price of the Company's stock on November 9, 2016. These options have a 10 year contractual term, with a fair value of \$1.05 per option and an expected term of 5 years.

Table of Contents

Stock option transactions to the employees, directors and consultants are summarized as follows for the six months ended June 30, 2017:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
Beginning of the period	2,172,581	\$ 6.70	\$ 4.83
Granted	----	----	----
Exercised	----	----	----
Forfeited	----	----	----
Expired	(17,001)	\$ 37.74	\$ 33.78
End of the period	2,155,580	\$ 6.45	\$ 4.61
Options exercisable	1,768,746	\$ 6.81	\$ 4.92

A summary of the status of the Company's non-vested shares as of June 30, 2017 and December 31, 2016, and changes during the six months ended June 30, 2017 and the year ended December 31, 2016, is presented below:

	Shares	Weighted- Average Fair Value Grant Date	Weighted Average Exercise Price
Non-vested Shares			
Non-vested - December 31, 2015	359,001	\$ 4.55	\$ 6.70
Granted	1,210,467	\$ 1.71	\$ 3.02
Vested	(1,118,992)	\$ 1.81	\$ 3.19
Forfeited	-	-	-
Non-vested - December 31, 2016	450,476	\$ 3.60	\$ 5.40
Granted	-	-	-
Vested	(63,642)	\$ 6.09	\$ 9.03
Forfeited	-	-	-
Non-vested - June 30, 2017	386,834	\$ 3.22	\$ 4.81

As of June 30, 2017, there was approximately \$0.9 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the plans. That cost is expected to be recognized over a weighted-average period of 1.3 years. The intrinsic value of options outstanding at June 30, 2017 was \$0.1 million. There was substantially no intrinsic value for the stock options outstanding at December 31, 2016.

Edgar Filing: LIGHTBRIDGE Corp - Form 10-Q

The above tables include options issued and outstanding as of June 30, 2017, as follows:

- i) A total of 51,051 non-qualified 10 year options have been issued, and are outstanding, to advisory board members at exercise prices of \$22.50 to \$72.00 per share.
- ii) A total of 1,782,329 non-qualified 5-10 year options have been issued, and are outstanding, to our directors, officers, and employees at exercise prices of \$1.14 to \$52.50 per share. From this total, 595,146 options are outstanding to the Chief Executive Officer who is also a director, with remaining contractual lives of 0.4 years to 9.4 years. All other options issued to directors, officers, and employees have a remaining contractual life ranging from 0 years to 9.5 years.
- iii) A total of 322,200 non-qualified 3-10 year options have been issued, and are outstanding, to our consultants at exercise prices of \$1.14 to \$52.50 per share.

Table of Contents

No stock options have been awarded in 2017. Weighted average assumptions used in the Black Scholes option-pricing model for the year ended December 31, 2016, were as follows:

	Year ended December 31, 2016
Average risk-free interest rate	1.57%
Average expected life- years	5.05
Expected volatility	87.74%
Expected dividends	0.0

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

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

Note 7. Business Segment Results

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

BUSINESS SEGMENT RESULTS - THREE MONTHS ENDED JUNE 30, 2017 AND 2016

Edgar Filing: LIGHTBRIDGE Corp - Form 10-Q

	Consulting		Technology		Corporate and Eliminations		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenue	\$ 14,425	\$ 122,377	\$ -	\$ -	\$ -	\$ -	\$ 14,425	\$ 122,377
Segment Profit								
(Loss)	\$ 13,416	\$ (112,420)	\$ (545,644)	\$ (419,498)	\$ (1,105,435)	\$ (765,287)	\$ (1,637,663)	\$ (1,297,205)
Total								
Assets	\$ 10,889	\$ 69,696	\$ 1,275,637	\$ 1,048,518	\$ 5,465,581	\$ 1,708,631	\$ 6,752,107	\$ 2,826,845
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ 8,072	\$ 7,851	\$ 8,072	\$ 7,851

Table of Contents**BUSINESS SEGMENT RESULTS – SIX MONTHS ENDED JUNE 30, 2017 AND 2016**

	Consulting		Technology		Corporate and Eliminations		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenue	\$ 149,910	\$ 288,923	\$ -	\$ -	\$ -	\$ -	\$ 149,910	\$ 288,923
Segment Profit (Loss)	\$ (59,945)	\$ (160,027)	\$ (1,009,987)	\$ (1,005,748)	\$ (2,318,034)	\$ (466,136)	\$ (3,382,966)	\$ (1,631,911)
Total Assets	\$ 10,889	\$ 69,696	\$ 1,275,637	\$ 1,048,518	\$ 5,465,581	\$ 1,708,631	\$ 6,752,107	\$ 2,826,845
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ 8,072	\$ 12,372	\$ 8,072	\$ 12,372

Note 8. Subsequent Events**Equity Transactions**

On July 12, 2017, the Company filed a prospectus supplement to register an additional approximate \$1.6 million under a new ATM agreement with FBR Capital Markets & Co. and MLV, signed on July 12, 2017. For the period from July 1, 2017 to the date of this filing, the Company sold approximately 0.6 million shares for total net proceeds of approximately \$0.7 million

On July 12, 2017, an investor exercised warrants that were issued on June 28, 2016, in a cashless exercise transaction. 295,267 warrants were exercised in exchange for 286,584 shares of the Company's common stock.

Table of Contents

FORWARD-LOOKING STATEMENTS

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

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

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

Table of Contents

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

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

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

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

OVERVIEW OF OUR TWO BUSINESS SEGMENTS

Overview of Our Business

When used in this report, the terms “Lightbridge”, “Company”, “we”, “our”, and “us” refer to Lightbridge Corporation and wholly-owned subsidiaries Thorium Power, Inc. (a Delaware corporation) and Lightbridge International Holding, LLC (a Delaware limited liability company).

Lightbridge is a leading nuclear fuel technology company and we participate in the nuclear power industry in the United States and internationally. Our mission is to be a world leader in the design and deployment of nuclear fuels that we anticipate will be economically attractive, enhance reactor safety, proliferation resistant, and produce less waste than current generation nuclear fuels, and to provide world-class strategic advisory services to governments and utilities seeking to develop or expand civil nuclear power programs.

Our business operations can be categorized in two segments:

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

Table of Contents

Financial information about our business segments is included in Note 7 - Business Segment Results, of the Notes to the Condensed Consolidated Financial Statements, included in Part I Item 1, Financial Statements of this Quarterly Report on Form 10-Q.

NEXT GENERATION NUCLEAR FUEL FOR THE NUCLEAR INDUSTRY

Research and Development Project Schedule

We currently anticipate that we, working in collaboration with our development partners/vendors and in certain cases contingent upon execution of collaborative research and development agreements with them will be able to:

- Develop analytical models in 2018-2019 for our metallic fuel technology that can be used for reactor analysis and regulatory licensing;
- Develop a regulatory licensing plan for lead test assemblies and present it to the US Nuclear Regulatory Commission in 2018;
- Perform in-reactor and out-of-reactor experiments in 2018-2023;
- Have semi-scale metallic fuel samples fabricated in 2019-2020 for irradiation testing in a test reactor environment under prototypic commercial reactor conditions;
- Establish a pilot-scale fuel fabrication facility and demonstrate full-length fabrication of our metallic fuel rods in 2020-2022; and
- Begin lead test assembly (LTA) operation in a full-size commercial light water reactor as soon as 2023-2024, which involves testing a limited number of full-scale fuel assemblies in the core of a commercial nuclear power plant over three 18-month cycles.

Accordingly, based on our current estimated schedule, a purchase order for an initial reload batch placed by a utility is expected as soon as 2026-2027 (after two 18-month cycles of LTA operation), with final qualification (i.e., deployment of fuel in the first reload batch) in a commercial reactor expected as soon as 2028-2029. In the interim, we expect to enter into a joint venture or a different commercial arrangement with one or more major fuel fabricators to complete the development, demonstration, regulatory licensing, and commercial deployment of our patented nuclear fuel technology. Along those lines, we continue to advance discussions towards a joint venture with AREVA NP to develop, manufacture and commercialize fuel assemblies based on our fuel technology. We currently anticipate that any such joint venture with AREVA would become effective following the pending transaction between AREVA NP and Electricite de France (EDF), and that the joint venture will be subject to approval by AREVA NP's new ownership

group following consummation of the transaction. In addition to agreements with fuel fabricators, we intend to seek prepayment or other financing arrangements with utilities tied to LTA contracts.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make a variety of estimates and assumptions that affect (i) the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and (ii) the reported amounts of revenues and expenses during the reporting periods covered by the financial statements. For a discussion of the accounting judgments and estimates that we have identified as critical in the preparation of our financial statements, please see “Critical Accounting Policies and Estimates” under Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K filed on March 23, 2017, incorporated herein by reference. There have been no significant changes in our critical accounting policies and estimates during the six months ended June 30, 2017.

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

Table of Contents**Recent Accounting Standards and Pronouncements**

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

OPERATIONS REVIEW**Business Segments and Periods Presented**

We have provided a discussion of our results of operations on a consolidated basis and have also provided certain detailed segment information for each of our business segments below for the three and six months ended June 30, 2017 and 2016, in order to provide a meaningful discussion of our business segments. We have organized our operations into two principal segments: Consulting and Technology Business segments. We present our segment information along the same lines that our chief executives review our operating results in assessing performance and allocating resources.

BUSINESS SEGMENT RESULTS - THREE MONTHS ENDED JUNE 30, 2017 AND 2016

	Consulting		Technology		Corporate and Eliminations		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenue	\$ 14,425	\$ 122,377	\$ -	\$ -	\$ -	\$ -	\$ 14,425	\$ 122,377
Segment Profit								
(Loss)	\$ 13,416	\$ (112,420)	\$ (545,644)	\$ (419,498)	\$ (1,105,435)	\$ (765,287)	\$ (1,637,663)	\$ (1,297,205)
Total								
Assets	\$ 10,889	\$ 69,696	\$ 1,275,637	\$ 1,048,518	\$ 5,465,581	\$ 1,708,631	\$ 6,752,107	\$ 2,826,845
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ 8,072	\$ 7,851	\$ 8,072	\$ 7,851

Technology Business

Over the next 12 to 15 months, we expect to incur approximately \$3 million to \$5 million in research and development expenses related to the development of our proprietary nuclear fuel designs, including funding a potential joint venture with AREVA NP, contingent on us raising additional equity capital in 2017 to fund these expenses. We spent approximately \$0.5 million and \$0.4 million for research and development for the three months ended June 30, 2017 and 2016, respectively.

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

Consulting Services Business

At the present time, all of our revenue for the three months ended June 30, 2017 and 2016 is from our consulting services business segment. The fee type and structure that we offer for each client engagement is dependent on a number of variables, including the complexity of the services, the level of the opportunity for us to improve the client's electricity generation capabilities using nuclear power plants, and other factors.

Table of Contents**Consolidated Results of Operations – Three Months Ended June 30, 2017 and 2016**

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

	2017	2016	(Decrease) Change \$	(Decrease) Change %
Consulting Revenues	\$ 14,425	\$ 122,377	\$ (107,952)	-88%
Cost of services provided				
Consulting expenses	\$ 4,300	\$ 62,137	\$ (57,837)	-93%
Gross profit	\$ 10,125	\$ 60,240	\$ (50,115)	-83%
Operating Expenses				
General and administrative	\$ 971,290	\$ 1,112,582	\$ (141,292)	-13%
Research and development expenses	\$ 545,644	\$ 419,498	\$ 126,146	30%
Total Costs and Expenses	\$ 1,516,934	\$ 1,532,080	\$ (15,146)	-1%
Total Operating Loss	\$ (1,506,809)	\$ (1,471,840)	\$ 34,969	2%
Other Income and (Expenses)	\$ (130,854)	\$ 174,635	\$ 305,489	-175%
Net loss - before income taxes	\$ (1,637,663)	\$ (1,297,205)	\$ 340,458	26%

Revenue

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

	Three Months Ended June 30,	
	2017	2016
Consulting Segment Revenues:		
Other	0.0	0.1
Total	0.0	0.1

Edgar Filing: LIGHTBRIDGE Corp - Form 10-Q

Technology Segment Revenues		0.0		0.0
Total Revenues	\$	0.0	\$	0.1

The market for nuclear industry consulting services is competitive, fragmented, and subject to rapid change. Our main business is developing our nuclear fuel and we may continue to provide some consulting services in the future, but we have shifted the focus and resources of the company to the fuel division and away from consulting. The decrease in our revenues from 2017 to 2016 of \$0.1 million resulted from the net decrease in the work performed for two consulting contracts, one of which was not renewed in 2017.

Table of Contents**Costs and Expenses**

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

	Three Months Ended			
	June 30,			
	2017		2016	
Consulting	\$	0.0	\$	0.1
Technology		0.0		0.0
Total	\$	0.0	\$	0.1

Cost of Services Provided

The cost of services provided for the three months ended June 30, 2017, versus the three months ended June 30, 2016, decreased due to the decrease in revenue. Cost of services provided is comprised of expenses related to the consulting, professional, administrative, and other support costs and stock-based compensation allocated to our consulting projects labor, which were incurred to perform and support the work done for our consulting projects. The billing rates available to us from our outside consultants who provide services under our consulting contracts predominantly remained the same in 2017 and 2016. If consulting revenues increase in future periods, we expect cost of services provided will increase in dollar amount and may increase as a percentage of revenues due to increased pricing competition for consulting contracts.

Total stock-based compensation included in cost of services provided was not significant for the three months ended June 30, 2017 and 2016.

Total reported gross profit margin for the three months ended June 30, 2017 was 70% compared to 49% for the three months ended June 30, 2016 due to the decrease in costs allocated from general and administrative expenses to cost of services provided, for the three months ended June 30, 2017.

Research and Development

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

	Three Months Ended	
	June 30,	
	2017	2016
Research and development expenses	\$ 0.5	\$ 0.4

Research and development expenses consist mostly of compensation and related overhead costs for personnel responsible for the research and development of our fuel. Total research and development expenses increased by approximately \$0.1 million for the three month period ended June 30, 2017, as compared to the three months ended June 30, 2016. This increase was due to an increase in employee wages and benefits of approximately \$0.2 million, offset by a decrease in spending with third party research and development vendors of approximately \$0.1 million, due to the increased focus on time and resources being spent on forming the potential AREVA NP Joint Venture. Total stock-based compensation included in research and development expenses was approximately \$0.1 million for each of the three months ended June 30, 2017 and 2016.

All of our reported research and development activities were conducted in the United States, Canada, Norway, and Russia. We expense research and development costs as they are incurred. Research and development expenses may increase in dollar amount and may increase as a percentage of revenues in future periods because we expect to invest \$3 million to \$5 million in the development of our nuclear fuel products over the next 12-15 months.

Table of Contents

See Note 5 - Research and Development expense of the Notes to our condensed consolidated financial statements included in Part I Item 1 of this Quarterly Report Form on 10-Q for additional information about our research and development costs.

General and Administrative Expenses

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

	Three Months Ended	
	June 30,	
	2017	2016
General and administrative expenses	\$ 1.0	\$ 1.1

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

This decrease was due to a decrease in stock-based compensation of approximately \$0.1 million and a net decrease in other various general and administrative expenses of approximately \$0.3 million. This decrease was offset by an increase in professional fees of approximately \$0.2 million, due primarily to increased legal fees as we continue to work on the anticipated joint venture with AREVA NP and an increase in employee wages and benefits of approximately \$0.1 million. Total stock-based compensation included in general and administrative expenses were approximately \$0.1 million and \$0.2 million for the three months ended June 30, 2017 and 2016, respectively.

See Note 6 - Stockholders' Equity of the notes to our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for information regarding our stock-based compensation.

Other Income (Expenses)

The decrease in net other income was due to a decrease in warrant valuation income of approximately \$0.3 million and an increase in financing cost expense of approximately \$0.1 million. This was offset by a decrease in warrant modification expense of approximately \$0.1 million. The change for the warrant revaluation in our statements of operations is due to a change in the accounting treatment of the outstanding warrants, which were recorded as derivative liabilities at June 30, 2016 and are now recorded as equity in 2017, due to the modification of the warrant terms in 2016. The increase in financing costs was due to the amortization of the deferred financing costs asset recorded for the Aspire option agreement (see Note 6 of the notes to the accompanying condensed consolidated financial statements).

Interest income and other income and expenses, for the three months ended June 30, 2017 as compared to the three months ended June 30, 2016, were substantially the same amount.

Table of Contents**Provision for Income Taxes**

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

	Three Months Ended June 30,			
	2017		2016	
Provision for income taxes	\$	0.0	\$	0.0

We incurred a pre-tax net loss for both 2017 and 2016. We reviewed all sources of income for purposes of recognizing the deferred tax assets and concluded a full valuation allowance for 2017 and 2016 was necessary. Therefore, we did not have a provision for taxes for both the three months ended June 30, 2017 and 2016.

Consolidated Results of Operations – Six Months Ended June 30, 2017 and 2016**BUSINESS SEGMENT RESULTS – SIX MONTHS ENDED JUNE 30, 2017 AND 2016**

	Consulting		Technology		Corporate and Eliminations		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenue	\$ 149,910	\$ 288,923	\$ -	\$ -	\$ -	\$ -	\$ 149,910	\$ 288,923
Segment Profit								
(Loss)	\$ (59,945)	\$ (160,027)	\$ (1,009,987)	\$ (1,005,748)	\$ (2,318,034)	\$ (466,136)	\$ (3,382,966)	\$ (1,631,911)
Total								
Assets	\$ 10,889	\$ 69,696	\$ 1,275,637	\$ 1,048,518	\$ 5,465,581	\$ 1,708,631	\$ 6,752,107	\$ 2,826,845
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ 8,072	\$ 12,372	\$ 8,072	\$ 12,372

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

Edgar Filing: LIGHTBRIDGE Corp - Form 10-Q

	2017	2016	(Decrease) Change \$	(Decrease) Change %
Consulting Revenues	\$ 149,910	\$ 288,923	\$ (139,013)	-48%
Cost of services provided				
Consulting expenses	\$ 89,663	\$ 130,362	\$ (40,699)	-31%
Gross profit	\$ 60,247	\$ 158,561	\$ (98,314)	-62%
Operating Expenses				
General and administrative	\$ 2,179,592	\$ 2,208,694	\$ (29,102)	-1%
Research and development expenses	\$ 1,009,987	\$ 1,005,748	\$ 4,239	0%
Total Costs and Expenses	\$ 3,189,579	\$ 3,214,442	\$ (24,863)	-1%
Total Operating Loss	\$ (3,129,332)	\$ (3,055,881)	\$ 73,451	2%
Other Income and (Expenses)	\$ (253,634)	\$ 1,423,970	\$ 1,677,604	-118%
Net loss - before income taxes	\$ (3,382,966)	\$ (1,631,911)	\$ 1,751,055	107%

Table of Contents**Revenue**

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

	Six Months Ended	
	June 30,	
	2017	2016
Consulting Segment Revenues:		
FANR (UAE)	\$ 0.1	\$ 0.1
Other	0.0	0.2
Total	0.1	0.3
Technology Segment Revenues	0.0	0.0
Total Revenues	\$ 0.1	\$ 0.3

The market for nuclear industry consulting services is competitive, fragmented, and subject to rapid change. Our main business is developing our nuclear fuel and we may continue to provide some consulting services in the future, but we have shifted the focus and resources of the company to the fuel division and away from consulting. The decrease in our revenues from 2017 to 2016 of \$0.2 million resulted primarily from the net decrease in the work performed for one consulting project.

Costs and Expenses

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

	Six Months Ended	
	June 30,	
	2017	2016
Consulting	\$ 0.1	\$ 0.1
Technology	0.0	0.0
Total	\$ 0.1	\$ 0.1

Cost of Services Provided

The cost of services provided for the six months ended June 30, 2017, versus the six months ended June 30, 2016 remained primarily the same. Cost of services provided is comprised of expenses related to the consulting, professional, administrative, and other support costs and stock-based compensation allocated to our consulting projects labor, which were incurred to perform and support the work done for our consulting projects. The billing rates available to us from our outside consultants who provide services under our consulting contracts predominantly remained the same in 2017 and 2016. If consulting revenues increase in future periods, we expect cost of services provided will increase in dollar amount and may increase as a percentage of revenues due to increased pricing competition for consulting contracts.

Total stock-based compensation included in cost of services provided was approximately \$18,000 and \$25,000 for the six months ended June 30, 2017 and 2016, respectively.

Total reported gross profit margin for the six months ended June 30, 2017 was 40% compared to 55% for the six months ended June 30, 2016 and was due primarily to the increase in the cost allocation from general and administrative expenses to cost of services provided, as mentioned above.

Table of Contents**Research and Development**

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

	Six Months Ended	
	June 30,	
	2017	2016
Research and development expenses	\$ 1.0	\$ 1.0

Research and development expenses consist mostly of compensation and related overhead costs for personnel responsible for the research and development of our fuel. Total research and development expenses was primarily the same for the six month periods ended June 30, 2017, as compared to the six months ended June 30, 2016. There was a decrease in spending with third party research and development vendors of approximately \$0.3 million, due to increased focus on time and resources being spent on forming the potential AREVA NP Joint Venture; decrease in professional fees of approximately \$0.1 million, offset by an increase in employee wages and benefits and other research and development expenses of approximately \$0.4 million. Total stock-based compensation included in research and development expenses was approximately \$187,000 and \$149,000 for the six months ended June 30, 2017 and 2016, respectively.

All of our reported research and development activities were conducted in the United States, Norway, and Russia. We expense research and development costs as they are incurred. Research and development expenses may increase in dollar amount and may increase as a percentage of revenues in future periods because we expect to invest \$3 million to \$5 million in the development of our nuclear fuel products over the next 12-15 months.

See Note 5 - Research and Development expense of the Notes to our condensed consolidated financial statements included in Part I Item 1 of this Quarterly Report Form on 10-Q for additional information about our research and development costs.

General and Administrative Expenses

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

Six Months Ended
June 30,
2017 **2016**

General and administrative expenses	\$	2.2	\$	2.2
-------------------------------------	----	-----	----	-----

General and administrative expenses consist mostly of compensation and related costs for personnel and facilities, stock-based compensation, finance, human resources, information technology, and fees for consulting and other professional services. Professional services are principally comprised of outside legal, audit, strategic advisory services and outsourcing services. General and administrative expenses remained primarily the same for the six months ended June 30, 2017 and 2016.

There was an increase in professional fees of approximately \$0.2 million due primarily to increased legal fees as we continue to work on the anticipated joint venture with AREVA NP., an increase in corporate promotion expenses of approximately \$0.1 million and an increase in employee wages and benefits of approximately \$0.2 million offset by a decrease in stock-based compensation of approximately \$0.1 million and a net decrease in other various general and administrative expenses of approximately \$0.4 million. Total stock-based compensation included in general and administrative expenses were approximately \$182,000 and \$311,000 for the six months ended June 30, 2017 and 2016, respectively.

Table of Contents

See Note 6 - Stockholders' Equity of the notes to our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for information regarding our stock-based compensation.

Other Income (Expenses)

The decrease in net other income was due to a decrease in warrant valuation income of approximately \$1.6 million and an increase in financing cost expense of approximately \$0.3 million. This was offset by a decrease in warrant modification expense of approximately \$0.1 million. The change for the warrant revaluation in our statements of operations is due to a change in the accounting treatment of the outstanding warrants, which were recorded as derivative liabilities at June 30, 2016 and are now recorded as equity in 2017, due to the modification of the warrant terms in 2016. The increase in financing costs was due to the amortization of the deferred financing costs asset recorded for the Aspire option agreement (see Note 6 of the notes to the accompanying condensed consolidated financial statements).

Interest income and other income and expenses, for the six months ended June 30, 2017 as compared to the six months ended June 30, 2016, were substantially the same amount.

Provision for Income Taxes

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

	Six Months Ended	
	June 30,	
	2017	2016
Provision for income taxes	\$ 0.0	\$ 0.0

We incurred a pre-tax net loss for both 2017 and 2016. We reviewed all sources of income for purposes of recognizing the deferred tax assets and concluded a full valuation allowance for 2017 and 2016 was necessary. Therefore, we did not have a provision for taxes for both the six months ended June 30, 2017 and 2016.

Liquidity, Capital Resources and Financial Position

We have historically financed our operations through the sale of our securities and from revenue generated by our consulting and strategic advisory services. To date, our consulting revenue has not provided sufficient cash flow to cover both our research and development expenses and corporate overhead expenses, and our consulting revenue has declined in recent years.

At June 30, 2017, we had cash and equivalents of approximately \$4.0 million, as compared to approximately \$3.6 million at December 31, 2016. The \$0.4 million increase in cash and equivalents resulted from the sale of approximately \$3.0 million of common stock during the six months ended June 30, 2017, partially offset by net cash used in operating activities of approximately \$2.5 million and cash used in investing activities of approximately \$0.1 million. We used cash during the six months ended June 30, 2017 primarily to fund our general and administrative expenses and for research and development. The gross margin on our consulting and strategic advisory services was approximately \$60,000 for the six months ended June 30, 2017, down from approximately \$159,000 in the year-ago period.

Table of Contents

Our cash and equivalents decreased in the quarter ended June 30, 2017. We currently project a cash flow shortfall averaging approximately \$0.5 million to \$0.6 million per month over the course of the next 12 months, as we anticipate having additional capital needs over this period resulting from our anticipated joint venture with AREVA NP. The additional capital needs primarily relate to research and development activities for the development, manufacture and commercialization of our nuclear fuel assemblies. We are working to reduce our projected monthly cash flow shortfall as we are currently seeking new sources of financing to fund our additional research and development work over the next 12 months. We have the ability to delay incurring certain operating expenses in the next 12 months, which could reduce our cash flow shortfall, if needed.

Our ability to continue to fund our research and development activities and corporate overhead expenses and continue as a going concern is dependent upon our ability to secure additional financing. We are party to an ATM sales agreement with MLV and FBR & Co, (current ATM availability approximately \$1.6 million) and a \$10 million common stock purchase agreement with Aspire Capital Fund, LLC, and we have the option to enter into up to another two purchase agreements with Aspire Capital through December 31, 2019 pursuant to the terms of an option agreement with Aspire Capital. See Note 6 of the notes to the accompanying condensed consolidated financial statements for a discussion of the ATM sales agreement with MLV and FBR & Co. and purchase agreement with Aspire Capital and sales activity thereunder. Currently, our ability to issue additional securities under the ATM sales agreement with FBR Capital Markets & Co. and MLV is limited until we have additional capacity under our existing shelf registration statement on Form S-3. On July 12, 2017, the Company filed a prospectus supplement to register an additional approximate \$1.6 million under a new ATM agreement with FBR Capital Markets & Co. and MLV, signed on July 12, 2017. Also, although we have approximately \$7.3 million remaining under our purchase agreement with Aspire Capital, we will need to file and have declared effective a registration statement on Form S-1 in order to issue additional shares of common stock to Aspire Capital, and in any event will be limited to issuing an aggregate of 3.0 million shares to Aspire Capital under the existing purchase agreement until such time as we receive stockholder approval to issue additional shares.

In addition to the ATM sales agreement with MLV and purchase agreement with Aspire Capital, we may seek other sources of capital. The primary additional sources of capital cash available to us are (i) equity investment from investors, such as the approximately \$2.8 million of preferred stock we issued in August 2016; and (ii) strategic investments or cost-sharing contributions through alliances with major fuel vendors, fuel fabricators and/or other strategic parties to support the remaining research and development activities required to further enhance and complete the development of our fuel products to a commercial stage.

We have been successful at raising capital in the past but there can be no assurance that additional capital will be available on terms acceptable to us or in amounts sufficient to meet our needs. In the event that we are unable to raise sufficient capital, we may be required to delay, reduce or severely curtail our operations or otherwise impede our ongoing business efforts, or we could be forced to cease operations altogether.

Off Balance Sheet Arrangements

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Required.

28

Table of Contents

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Our management, including our principal executive officer and principal financial officer, evaluated the disclosure controls and procedures related to the recording, processing, summarization and reporting of information in the periodic reports that we file with the SEC. These disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is (a) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and (b) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2017.

Changes in Internal Controls Over Financial Reporting

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

Limitations on Effectiveness of Controls and Procedures

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

Table of Contents

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

You should carefully consider the risk factors discussed in Part I, Item 1A of the Company's Form 10-K for the year ended December 31, 2016.

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

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

ITEM 5. OTHER INFORMATION

At the Company's 2017 Annual Meeting of Stockholders held on May 19, 2017, the Company's stockholders voted, on an advisory basis, in favor of holding future advisory votes on the compensation of the Company's named executive officers ("say-on-pay votes") every year, as previously reported in the Current Report on Form 8-K filed by the Company on May 22, 2017. Based on these results, and consistent with its recommendation, the Board has determined that the Company will hold future say-on-pay votes every year until the next required stockholder advisory vote on the frequency of say-on-pay votes is required under Section 14A of the Exchange Act, or until the Board otherwise determines that a different frequency for such votes is in the best interests of the Company's stockholders.

ITEM 6. EXHIBITS

Reference is made to the Exhibit Index beginning immediately after the signature page hereto.

Table of Contents

SIGNATURES

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

LIGHTBRIDGE CORPORATION

Date: August 8, 2017

By: */s/ Seth Grae*
Name: Seth Grae
Title: President, Chief Executive Officer and
Director
(Principal Executive Officer)

By: */s/ Linda Zwobota*
Name: Linda Zwobota
Title: Chief Financial Officer
(Principal Financial Officer and
Principal
Accounting Officer)

Table of Contents**EXHIBIT INDEX****Exhibit****Number Description**

<u>10.1</u>	<u>Lightbridge Corporation 2015 Equity Incentive Plan, as amended (incorporated by reference to Appendix A to the Registrant's Definitive Proxy Statement filed on April 17, 2017, File No. 001-34487)</u>
<u>10.2</u>	<u>Form of Incentive Stock Option Agreement for Employees (incorporated by reference to Exhibit 99.2 to the registration statement on Form S-8 (File No. 333-218796) filed by the Company on June 16, 2017)</u>
<u>10.3</u>	<u>Form of Non-qualified Stock Option Agreement for Employees (incorporated by reference to Exhibit 99.3 to the registration statement on Form S-8 (File No. 333-218796) filed by the Company on June 16, 2017)</u>
<u>10.4</u>	<u>Form of Non-qualified Stock Option Agreement for Non-Employee Directors (incorporated by reference to Exhibit 99.4 to the registration statement on Form S-8 (File No. 333-218796) filed by the Company on June 16, 2017)</u>
<u>10.5</u>	<u>Form of Performance Share Unit Agreement (incorporated by reference to Exhibit 99.5 to the registration statement on Form S-8 (File No. 333-218796) filed by the Company on June 16, 2017)</u>
<u>10.6</u>	<u>Form of Restricted Stock Award Agreement for Employees (incorporated by reference to Exhibit 99.6 to the registration statement on Form S-8 (File No. 333-218796) filed by the Company on June 16, 2017)</u>
<u>10.7</u>	<u>Form of Restricted Stock Award Agreement for Non-Employee Directors (incorporated by reference to Exhibit 99.7 to the registration statement on Form S-8 (File No. 333-218796) filed by the Company on June 16, 2017)</u>
<u>31.1</u>	<u>Rule 13a-14(a)/15d-14(a) Certification - Principal Executive Officer</u>
<u>31.2</u>	<u>Rule 13a-14(a)/15d-14(a) Certification - Principal Financial Accounting Officer</u>
<u>32</u>	<u>Section 1350 Certifications</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document

