

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

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

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

(Mark One)

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

For the quarterly period ended: **March 31, 2015**

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

For the transition period from _____ to _____

Commission File Number: **001-34487**

LIGHTBRIDGE CORPORATION

(Exact name of registrant as specified in its charter)

Nevada

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

91-1975651

(I.R.S. Empl. Ident. No.)

1600 Tysons Boulevard, Suite 550

Mclean, VA 22102

(Address of principal executive offices, Zip Code)

(571) 730-1200

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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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 No

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

Large Accelerated Filer Accelerated Filer
Non-Accelerated Filer Smaller reporting company

(Do not check if a smaller reporting company)

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

Yes No

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

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

LIGHTBRIDGE CORPORATION
Form 10-Q/A
MARCH 31, 2015

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Explanatory Note

In this Quarterly Report on Form 10-Q/A (Amendment No.1) for the quarters ended March, 31, 2015 and 2014 ("Quarterly Report"), as originally filed with the Securities and Exchange Commission (the "SEC") on May 7, 2015 (the "Original Report"), Lightbridge Corporation ("Lightbridge," the "Company," "we" or "us") is restating its previously issued condensed consolidated financial statements and the related disclosures for the three months ended March 31, 2015 and March 31, 2014 (collectively, the "Restated Periods"). As discussed in further detail below and in Note 2 to the accompanying condensed consolidated financial statements, the restatement is the result of a misapplication in the guidance on accounting for warrants. We assessed the impact of this misapplication on our prior interim and annual financial statements and concluded that the combined impact was material to these financial statements. Consequently, we have restated the prior period financial statements identified above. Concurrently with the filing of this Form 10-Q/A, the Company is also filing Amendment No. 1 on Form 10-Q/A to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2015, as originally filed with the SEC on August 19, 2015. All amounts in this Quarterly Report affected by the restatement adjustments reflect such amounts as restated.

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

Background of Restatement

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

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

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

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

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

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

The cumulative effect of these adjustments on our financial statements is a 9.1% decrease in the accumulated deficit in the amount of approximately \$7.0 million as of March 31, 2015 and a 7.7% decrease in the accumulated deficit in the amount of approximately \$5.8 million as of December 31, 2014. The restatement had no impact on net cash flows from operating, investing or financing activities as the adjustments resulting from the non-cash change in the fair value of the warrant liability for each period and the statements of operations only impacted net loss from operations. An explanation of the impact on our financial statements is contained in Note 2 to the condensed consolidated financial statements contained in Part I, Item 1: Financial Statements.

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

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

- Part I, Item 1, Financial Statements;
- Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations;
- Part I, Item 4, Controls and Procedures;
- Part II, Item 1A, Risk Factors; and
- Part II, Item 6, Exhibits.

In addition to the restatement, this Form 10-Q/A includes as an exhibit an immaterial amendment to an agreement entered into in the first quarter of 2015. In order to preserve the nature and character of the disclosures set forth in the Original Report, this Form 10-Q/A speaks as of the date of the filing of the Original Report, May 7, 2015, and the disclosures contained in this Form 10-Q/A have not been updated to reflect events occurring subsequent to that date, other than those associated with the restatement. Currently dated certifications from the Company's Chief Executive Officer and Chief Financial Officer are attached to this Form 10-Q/A as Exhibits 31.1, 31.2 and 32.1. This Form 10-Q/A should be read in conjunction with the Original Report and the Company's other filings with the SEC.

Internal Control Considerations

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

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

| | Three Months Ended March 31, 2015 | | |
|---|-----------------------------------|------------|--------------|
| | As Previously Reported | Adjustment | As Restated |
| Consolidated Statement of Operations | | | |
| Data | | | |
| (unaudited): | | | |
| Warrant revaluation | \$ - | 1,197,986 | \$ 1,197,986 |
| Income (loss) from operations before income taxes | (1,080,324) | 1,197,986 | 117,662 |
| Net income (loss) | (1,080,324) | 1,197,986 | 117,662 |
| | \$ (0.06) | 0.07 | \$ 0.01 |

Net income (loss) per share, basic and diluted

Three Months Ended March 31, 2014

| | As Previously Reported | Adjustment | As Restated |
|---|-------------------------------|-------------------|--------------------|
| Consolidated Statement of Operations Data (unaudited): | | | |
| Warrant revaluation | \$ - | (1,974,330) | \$ (1,974,330) |
| Loss from operations before income taxes | (1,433,922) | (1,974,330) | (3,408,252) |
| Net loss | (1,433,922) | (1,974,330) | (3,408,252) |
| Net loss per share, basic and diluted | \$ (0.10) | (0.13) | \$ (0.23) |

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| | As of March 31, 2015 | | |
|--|-------------------------------|-------------------|--------------------|
| | As Previously Reported | Adjustment | As Restated |
| Consolidated Balance Sheet Data | | | |
| (unaudited): | | | |
| Warrant liability | \$ - | 3,435,326 | \$ 3,435,326 |
| Total liabilities | 586,685 | 3,435,326 | 4,022,011 |
| Additional paid-in capital | 81,358,020 | (10,474,875) | 70,883,145 |
| Accumulated deficit | (76,975,178) | 7,039,549 | (69,935,629) |
| Total stockholders' equity | \$ 4,400,925 | (3,435,326) | \$ 965,599 |

| | Three Months Ended March 31, 2015 | | |
|-------------------------------------|--|-------------------|--------------------|
| | As Previously Reported | Adjustment | As Restated |
| Consolidated Cash Flows Data | | | |
| (unaudited): | | | |
| Net income (loss) | \$ (1,080,324) | 1,197,986 | \$ 117,662 |
| Warrant revaluation | \$ - | (1,197,986) | \$ (1,197,986) |

| | Three Months Ended March 31, 2014 | | |
|-------------------------------------|--|-------------------|--------------------|
| | As Previously Reported | Adjustment | As Restated |
| Consolidated Cash Flows Data | | | |
| (unaudited): | | | |
| Net loss | \$ (1,433,922) | (1,974,330) | \$ (3,408,252) |
| Warrant revaluation | \$ - | 1,974,330 | \$ 1,974,330 |

PART I FINANCIAL INFORMATION

Lightbridge Corporation
Condensed Consolidated Balance Sheets

| | March 31, 2015 (Unaudited) Restated | December 31, 2014 Restated |
|--|--|---|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 3,171,530 | \$ 4,220,225 |
| Restricted cash | 325,341 | 325,181 |
| Accounts receivable - project revenue and reimbursable project costs | 318,383 | 469,086 |
| Prepaid expenses and other current assets | 319,494 | 205,185 |
| Total Current Assets | 4,134,748 | 5,219,677 |
| Property Plant and Equipment -net | - | - |
| Other Assets | | |
| Patent costs | 852,862 | 833,560 |
| Total Assets | \$ 4,987,610 | \$ 6,053,237 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ 586,685 | \$ 653,669 |
| Total Current Liabilities | 586,685 | 653,669 |
| Warrant liability | 3,435,326 | 4,633,312 |
| Total Liabilities | 4,022,011 | 5,286,981 |
| Commitments and contingencies note 6 | | |
| Stockholders' Equity | | |
| 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, 18,082,874 shares outstanding at March 31, 2015 and December 31, 2014 | 18,083 | 18,083 |
| Additional paid-in capital | 70,883,145 | 70,801,464 |
| Accumulated deficit | (69,935,629) | (70,053,291) |
| Total Stockholders' Equity | 965,599 | 766,256 |
| Total Liabilities and Stockholders' Equity | \$ 4,987,610 | \$ 6,053,237 |

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

Lightbridge Corporation
Unaudited Condensed Consolidated Statements of Operations

| | Three Months Ended | |
|---|---------------------------|-----------------|
| | March 31, | |
| | 2015 | 2014 |
| | Restated | Restated |
| Revenue: | | |
| Consulting Revenue | \$ 123,895 | \$ 254,107 |
| Cost of Consulting Services Provided | 57,391 | 125,012 |
| Gross Margin | 66,504 | 129,095 |
| Operating Expenses | | |
| General and administrative | 931,643 | 1,131,419 |
| Research and development expenses | 212,831 | 431,986 |
| Total Operating Expenses | 1,144,474 | 1,563,405 |
| Operating Loss | (1,077,970) | (1,434,310) |
| Other Income and (Expenses) | | |
| Warrant revaluation | 1,197,986 | (1,974,330) |
| Investment income | - | 388 |
| Other income (expenses) | (2,354) | - |
| Total Other Income and (Expenses) | 1,195,632 | (1,973,942) |
| Net income (loss) before income taxes | 117,662 | (3,408,252) |
| Income taxes | - | - |
| Net income (loss) | \$ 117,662 | \$ (3,408,252) |
| Net Earnings (Loss) Per Common Share, Basic and Diluted | \$ 0.01 | \$ (0.23) |
| Weighted Average Number of Shares Outstanding | 18,082,874 | 15,058,163 |

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

Lightbridge Corporation
Unaudited Condensed Consolidated Statements of Cash Flows

| | Three Months Ended March 31, | |
|--|---|--------------------------|
| | 2015 Restated | 2014 Restated |
| Operating Activities: | | |
| Net Income (Loss) | \$ 117,662 | \$ (3,408,252) |
| Adjustments to reconcile net income (loss) from operations to net cash used in operating activities: | | |
| Stock-based compensation | 81,680 | 59,796 |
| Loss on marketable securities | - | (434) |
| Warrant revaluation | (1,197,986) | 1,974,330 |
| Changes in non-cash operating working capital items: | | |
| Accounts receivable - fees and reimburseable project costs | 150,703 | (81,822) |
| Prepaid expenses and other assets | (114,309) | (172,937) |
| Accounts payable and accrued liabilities | (66,983) | 160,113 |
| Net Cash Used In Operating Activities | (1,029,233) | (1,469,206) |
| Investing Activities: | | |
| Patent costs | (19,302) | (26,420) |
| Net Cash Used In Investing Activities | (19,302) | (26,420) |
| Financing Activities: | | |
| Restricted cash | (160) | (179) |
| Net Cash Used In Financing Activities | (160) | (179) |
| Net Decrease In Cash and Cash Equivalents | (1,048,695) | (1,495,805) |
| Cash and Cash Equivalents, Beginning of Period | 4,220,225 | 3,672,877 |
| Cash and Cash Equivalents, End of Period | \$ 3,171,530 | \$ 2,177,072 |
| Supplemental Disclosure of Cash Flow Information: | | |
| 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, 2014, included in our Annual Report on Form 10-K/A for the year ended December 31, 2014.

In the opinion of the management of the Company, all adjustments, which are of a normal recurring nature, necessary for a fair statement of the results for the 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., (TPI), which had been formed in the State of Delaware on January 8, 1992. On September 29, 2009, we changed our name from Thorium Power, Ltd. to Lightbridge Corporation (Lightbridge or the Company). We are engaged in two operating business segments: our Technology Business Segment and our Consulting Business Segment (see Note 10-Business Segment Results).

Technology Business Segment

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

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

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

Consulting Business Segment

Our business model expanded with the establishment of a consulting business segment in 2007, through which we provide consulting and strategic advisory services to companies and governments planning to create or expand electricity generation capabilities using nuclear power plants. On August 1, 2008, we signed separate consulting

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

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

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

Accounting Policies and Pronouncements

Basis of Consolidation

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

All significant intercompany transactions and balances have been eliminated in consolidation. We registered a branch office in the United Kingdom in 2008 called Lightbridge Advisors Limited (inactive) and we also established a branch office in Moscow, Russia, in July 2009, both of which are wholly owned by Lightbridge International Holding LLC at December 31, 2014. These branch offices will be closed in 2015. Translation gains and losses for the three months ended March 31, 2015 and 2014 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

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

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

Our future operations and earnings currently depend on the results of the Company's operations outside the United States. There can be no assurance that the Company will be able to successfully continue to conduct such operations, and a failure to do so would have a material adverse effect on the Company's research and development activities, financial position, results of operations, and cash flows. Also, the success of the Company's operations will be subject to other numerous contingencies, some of which are beyond management's control. These contingencies include general and regional economic conditions, competition, changes in regulations, changes in accounting and taxation standards, inability to achieve overall long-term goals, future impairment charges and global or regional catastrophic events. Because the Company is dependent on its international operations for almost all its revenue, the Company may be subject to various additional political, economic, and other uncertainties.

Financial instruments that potentially subject us to concentrations of credit risk consist principally of cash equivalents and accounts receivable. Cash equivalents consist of a checking account held with one major financial institution with a high credit standing. Accounts receivable are typically unsecured and are primarily derived from revenues earned

from customers located in the Middle East. We perform ongoing evaluations to determine customer credit and we limit the amount of credit we extend, but generally we do not require collateral from our customers. We maintain reserves for estimated credit losses; however, no reserve has been set up at March 31, 2015 and 2014, as we have not incurred any credit losses from our customers to date. Approximately 36% and 85% of our consulting revenues were from our ENEC and FANR contracts for the three months ended March 31, 2015 and 2014, respectively.

Revenue Recognition Consulting Business Segment

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

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

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

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

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

Technology Business Segment

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

Stock-Based Compensation

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

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

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

We have elected to use the Black-Scholes pricing model to determine the fair value of stock options on the measurement date of the grant. Restricted stock units are measured based on the fair market values of the underlying stock on the measurement date of the grant. Shares that are issued to officers on the exercise dates of their stock

options may be issued net of the statutory withholding requirements to be paid by us on behalf of our employees. As a result, the actual number of shares issued will be fewer than the actual number of shares exercised under the stock option. We recognize stock-based compensation using the straight-line method.

For the three months ended March 31, 2015 and 2014, 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 and Restricted Cash

We invest our excess cash in money market mutual funds, and mutual bond funds. We classify all highly liquid investments with stated maturities of three months or less from date of purchase as cash equivalents and all highly liquid investments with stated maturities of greater than three months as marketable securities. We hold cash balances in excess of the federally insured limits of \$250,000 with one prominent financial institution. We deem this credit risk not to be significant as our cash is held by a major prominent financial institution. Total cash and cash equivalents held in checking accounts and a money market core cash account, as reported on the accompanying consolidated balance sheets, totaled approximately \$3.2 million and \$4.2 million at March 31, 2015 and December 31, 2014, respectively.

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

Trade Accounts Receivable

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

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

Approximately 78% of all accounts receivable at March 31, 2015 and substantially all of our December 31, 2014, are from the FANR and ENEC contracts (see Note 4-Accounts Receivable – Project Revenue and Reimbursable Project Costs).

Income Taxes

Income taxes are accounted for under the asset and liability method in accordance with United States generally accepted accounting principles. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial carrying amounts of existing assets and liabilities and their respective tax bases as well as operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance to the extent that the recoverability of the asset is unlikely to be recognized. We did not provide any current or deferred income tax provision or benefit for any periods presented to date because we have continued to experience a net operating loss since inception and therefore provide a 100% valuation allowance against all of our deferred tax assets.

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

Foreign Currency

The functional currency of our international branches is the local currency. We translate the financial statements of these branches to U.S. dollars using period-end rates of exchange for assets and liabilities, and average rates of exchange for revenues, costs, and expenses. The translation gains/losses for our branch office in Russia were not significant for the three months ended March 31, 2015 and 2014.

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, 2015 and 2014. Legal costs are expensed as incurred except for legal costs to file for patent protection, which are capitalized and reported as patents on the accompanying 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, 2015 and 2014.

Research, Development and Related Expenses

These costs from our Technology business segment are charged to operations in the period incurred and are shown on a separate line on the accompanying Consolidated Statements of Operations. Research and development and related expenses totaled approximately \$0.2 million and \$0.4 million for the three months ended March 31, 2015 and 2014, respectively.

Segment Reporting

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

Warrant Liability

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

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

In May 2014, the FASB issued guidance on revenue from contracts with customers that will supersede most current revenue recognition guidance, including industry-specific guidance. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be

entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The guidance is effective for the interim and annual periods beginning on or after December 15, 2017, (early adoption is not permitted). The guidance permits the use of either a retrospective or cumulative effect transition method.

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

Note 2. Restatement of Previously Issued Condensed Consolidated Financial Statements

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

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

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

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

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

The cumulative effect of these adjustments on our financial statements is a 7.7% decrease in the accumulated deficit in the amount of approximately \$5.8 million as of December 31, 2014. The restatement had no impact on net cash flows

from operating, investing or financing activities as the adjustments resulting from the non-cash change in the fair value of the warrant liability for each period and the statements of operations only impacted net loss from operations.

Impact of the Restatement March 31, 2015 and March 31, 2014

| | Three Months Ended March 31, 2015 | | |
|---|--|-------------------|--------------------|
| | As Previously Reported | Adjustment | As Restated |
| Consolidated Statement of Operations Data | | | |
| (unaudited): | | | |
| Warrant revaluation | \$ - | 1,197,986 | \$ 1,197,986 |
| Income (loss) from operations before income taxes | (1,080,324) | 1,197,986 | 117,662 |
| Net income (loss) | (1,080,324) | 1,197,986 | 117,662 |
| Net earnings (loss) per share, basic and diluted | \$ (0.06) | 0.07 | \$ 0.01 |

| | Three Months Ended March 31, 2014 | | |
|--|--|-------------------|--------------------|
| | As Previously Reported | Adjustment | As Restated |
| Consolidated Statement of Operations Data | | | |
| (unaudited): | | | |
| Warrant revaluation | \$ - | (1,974,330) | \$ (1,974,330) |
| Loss from operations before income taxes | (1,433,922) | (1,974,330) | (3,408,252) |
| Net loss | (1,433,922) | (1,974,330) | (3,408,252) |
| Net loss per share, basic and diluted | \$ (0.10) | (0.13) | \$ (0.23) |

| | As of March 31, 2015 | | |
|--|-------------------------------|-------------------|--------------------|
| | As Previously Reported | Adjustment | As Restated |
| Consolidated Balance Sheet Data | | | |
| (unaudited): | | | |
| Warrant liability | \$ - | 3,435,326 | \$ 3,435,326 |
| Total liabilities | 586,685 | 3,435,326 | 4,022,011 |
| Additional paid-in capital | 81,358,020 | (10,474,875) | 70,883,145 |
| Accumulated deficit | (76,975,178) | 7,039,549 | (69,935,629) |
| Total stockholders equity | \$ 4,400,925 | (3,435,326) | \$ 965,599 |

| | Three Months Ended March 31, 2015 | | |
|-------------------------------------|--|-------------------|--------------------|
| | As Previously Reported | Adjustment | As Restated |
| Consolidated Cash Flows Data | | | |
| (unaudited): | | | |
| Net income(loss) | \$ (1,080,324) | 1,197,986 | \$ 117,662 |
| Warrant revaluation | \$ - | (1,197,986) | \$ (1,197,986) |

| | Three Months Ended March 31, 2014 | | |
|-------------------------------------|--|-------------------|--------------------|
| | As Previously Reported | Adjustment | As Restated |
| Consolidated Cash Flows Data | | | |
| (unaudited): | | | |
| Net loss | \$ (1,433,922) | (1,974,330) | \$ (3,408,252) |
| Warrant revaluation | \$ - | 1,974,330 | \$ 1,974,330 |

Note 3. Net Earnings (Loss) Per Share

Basic earnings (loss) per share is computed using the weighted-average number of common shares outstanding during the period except that it does not include unvested common shares subject to repurchase or cancellation. Diluted net income per share is computed using the weighted-average number of common shares and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options, warrants, restricted shares, 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, 2015 and 2014, and the effect of including these potential common shares in the diluted earnings per share calculations would not be significant for the three months ended March 31, 2015 and anti-dilutive for the three months ended March 31, 2014 and are therefore not included in the calculations.

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

The total accounts receivable from both the FANR and ENEC contracts was approximately \$0.2 million and \$0.5 million at March 31, 2015 and December 31, 2014, respectively. These amounts due from FANR and ENEC represent approximately 78% of the accounts receivable reported at March 31, 2015 and 92% all of the accounts receivable at December 31, 2014. Approximately 34% and 86% of the total revenues reported for the three months ended March 31, 2015 and 2014, respectively, were from the ENEC and FANR contracts. Contracts with Lloyds Register constituted 58% of the total revenues reported for the three months ended March 31, 2015.

Total unbilled accounts receivable of approximately \$0.0 million and \$0.1 million was included in the accompanying consolidated balance sheets and reported in accounts receivable at March 31, 2015 and December 31, 2014, and is for work that was billed to our clients in April 2015 and January 2015, respectively. Foreign currency transaction exchange losses and translation gains and losses for the three months ended March 31, 2015 and 2014, were not significant.

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

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

Note 5. Accounts Payable and Accrued Liabilities

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

| | March 31, 2015 | Dec 31, 2014 |
|----------------------------|---------------------------|-------------------------|
| Trade payables | \$ 0.3 | \$ 0.3 |
| Accrued expenses and other | 0.3 | 0.4 |
| Total | \$ 0.6 | \$ 0.7 |

Note 6. Commitments and Contingencies

Operating Leases

On October 16, 2013, we entered into a 1 year sub-lease agreement with our current landlord for our current office space starting January 1, 2014 and terminating December 31, 2014. The monthly rent payment was approximately \$32,000 plus additional charges. On January 1, 2015 entered into a new sub-lease for our current office space for 38 months, with a monthly rent payment of approximately \$32,000 per month plus additional charges.

Total rent expense was approximately \$0.1 million and \$0.2million for the three months ended March 31, 2015 and 2014, respectively.

Litigation

Our former Chief Financial Officer, filed a complaint against the Company and Seth Grae, President and Chief Executive Officer, 16 with the Circuit Court of Fairfax County, Virginia (the *Fairfax County Complaint*), and a separate complaint against the Company with the U.S. Occupational Safety and Health Administration (the *OSHA Complaint*) on March 9, 2015.

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

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

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

Note 7. Research and Development Costs

Research and Development Costs

Research and development costs, included in the accompanying consolidated statements of operations amounted to approximately \$0.2 million and \$0.4 million for the three months ended March 31, 2015 and 2014, respectively. We are in process of winding down our Moscow office that we expect to be completed in 2015 and will focus our research and development work primarily in the United States, Canada, and Norway.

On October 20, 2014, we announced the signing of an initial cooperation agreement with Canadian Nuclear Laboratories (CNL), a wholly owned subsidiary of Atomic Energy of Canada Limited, for fabrication and test reactor irradiation of Lightbridge's patented next generation metallic nuclear fuel samples. Though we had initially planned for all of the work to take place at a single location in Chalk River, Ontario, Canada, subsequent to our announcement the Canadian government made an official decision to extend the operating life of the National Research Universal reactor at Chalk River only until the end of March 2018. This shorter than expected operating life extension would not be able to accommodate all of our anticipated schedule for irradiation testing of our metallic fuel samples. Consequently our plan is to work with CNL on fabrication of our fuel samples at their Chalk River facilities, with full irradiation of the fabricated fuel samples to be performed separately in a pressurized water loop of the Halden research reactor located in Halden, Norway. The operating license of the Halden research reactor has recently been renewed through 2020 which fits well with our anticipated irradiation testing schedule. Our current plan is to have post-irradiation examination of the irradiated fuel samples performed on the same site in Norway. There is also the opportunity to utilize additional nearby hot cell facilities located in Studsvik, Sweden that are operated by the Swedish company Studsvik AB.

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

Note 8. Warrant Liability

The Company accounts for stock warrants as either equity instruments or derivative liabilities depending on the specific terms of the warrant agreement. Stock warrants are accounted for as a derivative in accordance with Accounting Standards Codification 815, Derivatives and Hedging (ASC 815) if the stock warrants contain terms that could potentially require net cash settlement and therefore, do not meet the scope exception for treatment as a derivative. Warrant instruments that could potentially require net cash settlement in the absence of express language precluding such settlement are initially classified as derivative liabilities at their estimated fair values, regardless of the likelihood that such instruments will ever be settled in cash. The Company will continue to classify the fair value

of the warrants that contain net cash settlement as a liability until the warrants are exercised, expire or are amended in a way that would no longer require these warrants to be classified as a liability.

Liability-classified Warrants

The foregoing warrants are recorded as liabilities at their estimated fair value at the date of issuance, with the subsequent changes in estimated fair value recorded in other income (expense) in the Company's statement of operations in each subsequent period. The change in the estimated fair value of our warrant liability for the three months ended March 31, 2015 and 2014 resulted in non-cash income of approximately \$1.2 million and non-cash expense of approximately \$2.0 million, respectively. The Company utilizes the Monte Carlo simulation valuation method to value the liability classified warrants.

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

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

| | March 31, 2015 | December 31, 2014 |
|--|-------------------|----------------------|
| Calculated aggregate value | \$ 3,435,326 | \$ 4,633,312 |
| Weighted average exercise price per share of warrant | \$ 3.72 | \$ 3.72 |
| Closing price per share of common stock | \$ 1.24 | \$ 1.55 |
| Weighted average volatility | 88.40 | 89.80 |
| Weighted average remaining expected life (years) | 5.79 | 6.11 |
| Weighted average risk-free interest rate | 1.65 | 1.94 |
| Dividend yield | 0% | 0% |

Note 9. Stockholders Equity

At March 31, 2015 and December 31, 2014, there are 500,000,000 shares of authorized common stock. Total common stock outstanding at March 31, 2015 and December 31, 2014 was 18,082,874 shares. At March 31, 2015, there were 4,886,764 stock warrants and 1,912,157 stock options outstanding, all totaling 24,881,795 of total stock and stock equivalents outstanding at March 31, 2015.

Registered Direct Offerings and Outstanding Warrants

November 12, 2014 Offering

On November 12, 2014, we completed an offering with one existing institutional investor pursuant to which the Company sold an aggregate of 2,878,516 shares of its common stock and warrants to purchase a total of 2,734,590 shares of its common stock for aggregate gross proceeds, before deducting fees to the Placement Agent and other estimated offering expenses payable by the Company, of approximately \$5 million. The common stock and warrants were sold in fixed combinations, with each combination consisting of one share of common stock and a warrant to purchase 0.95 shares of common stock. The purchase price is \$1.75 per fixed combination. The warrants will become exercisable six months and one day following the issuance date of the warrants, on May 18, 2015, and will remain exercisable for seven-and-a-half years from the date of issuance at an exercise price of \$2.31 per share. The exercise price of the warrants is subject to adjustment in the case of stock splits, stock dividends, combinations of shares, and similar recapitalization transactions. The exercisability of the warrants may be limited if, upon exercise, the holder or any of its affiliates would beneficially own more than 4.99% of the Company's common stock. This limit may be increased to up to 19.99% upon no fewer than 60 days' notice to the Company.

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

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 nine months and one day following the issuance date of the warrants (October 25, 2013, i.e., exercisable beginning April 26, 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.

July 22, 2010 Offering

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 nine months and one day following the issuance date of the warrants (July 28, 2010, i.e., exercisable beginning January 29, 2011) 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, 2015.

Outstanding Warrants

| | March 31, | |
|--|------------------|------------------|
| | 2015 | 2014 |
| Issued to Investors on July 28, 2010, entitling the holders to purchase 1,034,996 common shares in the Company at an exercise price of \$9.00 per common share up to and including July 27, 2017 | 1,034,996 | 1,034,996 |
| Issued to Investors on October 25, 2013, entitling the holders to purchase 1,250,000 common shares in the Company at an exercise price of \$2.30 per common share up to and including April 24, 2021 | 1,117,178 | 1,250,000 |
| Issued to Investors on November 17, 2014, entitling the holders to purchase 2,734,590 common shares in the Company at an exercise price of \$2.31 per common share up to and including May 16, 2022 | 2,734,590 | - |
| Total | 4,886,764 | 2,284,996 |

Exercise of Warrants Q3-2014

On September 3, 2014, we issued 132,822 shares of our common stock upon the exercise of warrants issued in conjunction with the October 21, 2013 stock offering. We received \$2.30 for each share or \$305,931.

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, 2015 and December 31, 2014, were 1,912,157 and 2,026,564, of which 1,449,850 and 1,564,257 of these options were vested at March 31, 2015 and December 31, 2014, respectively. Stock option expense was approximately \$81,681 and \$40,150 for the quarters ended March 31, 2015 and 2014, respectively.

On May 5, 2014, we granted 579,429 stock options to our employees, directors, and consultants. These stock options vest over three years for employees and consultants, and over one year for our directors. The fair market value of each option was \$1.79 on the grant date, based on (1) The strike price of \$2.55, the price of our stock at the close of the market on the grant date; (2) The expected life of the grant of 5 years which is equal to the term of the grant, as historically grants have only been exercised just before the term expires; (3) The risk free rate of 1.68% which is based on the treasury yield curve for a 5 year term as published by the U.S. Treasury for the grant date; (4) Volatility of 90.44%, as measured based on the expected life of the options, and (5) Expected dividends of \$0.0, as we have never issued dividends and we have no plans to ever issue dividends. Grants to our consultants were re-measured as of March 31, 2015, and the fair market value of each option was \$0.69 on the measurement date. We estimated future pre-vest forfeitures to be 1.5%, based on historical information.

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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, 2015:

| | Options Outstanding | Weighted Average Exercise Price | Weighted Average Grant Date Fair Value |
|-----------------------|------------------------|--|---|
| Beginning of the year | 2,026,564 | \$ 9.19 | \$ 10.61 |
| Granted | - | - | - |
| Exercised | - | - | - |
| Forfeited | (114,407) | \$ 6.63 | \$ 6.06 |
| Expired | - | \$ - | \$ - |
| End of period | 1,912,157 | \$ 9.35 | \$ 8.58 |
| Options exercisable | 1,449,850 | \$ 11.52 | \$ 10.77 |

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

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

The above tables include options issued and outstanding as of March 31, 2015, as follows:

- i) A total of 255,202 non-qualified 10 year options have been issued, and are outstanding, to advisory board members at exercise prices of \$4.50 to \$14.40 per share.
- ii) A total of 1,465,008 non-qualified 5-10 year options have been issued, and are outstanding, to our directors, officers, and employees at exercise prices of \$2.55 to \$23.85 per share. From this total, 820,396 options are outstanding to the Chief Executive Officer who is also a director, with remaining contractual lives of 0.7 years to 6.0 years. All other options issued to directors, officers, and employees have a remaining contractual life ranging from 1.3 years to 6.0 years.

iii) A total of 191,947 non-qualified 5-10 year options have been issued, and are outstanding, to our consultants at exercise prices of \$2.55 to \$15.30 per share.

The following table provides certain information with respect to the above-referenced stock options that are outstanding and exercisable at March 31, 2015:

| Exercise Prices | Stock Options Outstanding | | | Stock Options Vested | | |
|------------------|---|------------------|---------------------------------|---|------------------|---------------------------------|
| | Weighted Average Remaining Contractual Life - Years | Number of Awards | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life - Years | Number of Awards | Weighted Average Exercise Price |
| \$2.55 - \$5.00 | 4.01 | 645,644 | \$ 3.10 | 3.81 | 183,337 | \$ 4.50 |
| \$5.01 - \$12.90 | 3.80 | 668,177 | \$ 7.59 | 3.80 | 668,177 | \$ 7.59 |
| \$13.50-\$18.90 | 1.06 | 358,336 | \$ 14.17 | 1.06 | 358,336 | \$ 14.17 |
| \$19.20-\$23.85 | 0.88 | 240,000 | \$ 23.85 | 0.88 | 240,000 | \$ 23.85 |
| Total | 2.99 | 1,912,157 | \$ 9.35 | 2.64 | 1,449,850 | \$ 11.52 |

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

| Exercise Prices | Stock Options Outstanding | | | Stock Options Vested | | |
|------------------|---|------------------|---------------------------------|---|------------------|---------------------------------|
| | Weighted Average Remaining Contractual Life - Years | Number of Awards | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life - Years | Number of Awards | Weighted Average Exercise Price |
| \$2.55 - \$5.00 | 4.26 | 645,644 | \$ 3.10 | 4.06 | 183,337 | \$ 4.50 |
| \$5.01 - \$12.90 | 4.11 | 782,584 | \$ 7.45 | 4.11 | 782,584 | \$ 7.45 |
| \$13.50-\$18.90 | 1.30 | 358,336 | \$ 14.17 | 1.30 | 358,336 | \$ 14.17 |
| \$19.20-\$23.85 | 1.12 | 240,000 | \$ 23.85 | 1.12 | 240,000 | \$ 23.85 |
| Total | 3.31 | 2,026,564 | \$ 9.19 | 3.00 | 1,564,257 | \$ 11.16 |

The aggregate intrinsic value of stock options outstanding at March 31, 2015 and December 31, 2014, was \$0. Intrinsic value is calculated based on the difference between the exercise price of the underlying awards and the quoted price of our common stock as of the reporting date (\$1.24 and \$1.55 per share as of the close on March 31, 2015 and December 31, 2014, respectively).

We use the historical volatility of our stock price over the number of years that matches the expected life of our stock option grants or we use the historical volatility of our stock price since January 5, 2006, the date we announced that we were becoming a public company, to estimate the future volatility of our stock. At this time we do not believe that there is a better objective method to predict the future volatility of our stock. We estimate the life 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 includes the estimate for future pre-vest forfeitures. We will adjust the actual expense recognized due to future pre-vest forfeitures as they occur. We have estimated that 1.5% and 0% of our option and restricted stock grants

respectively, will be forfeited prior to vesting.

Assumptions used in the Black Scholes option-pricing model for the year ended December 31, 2014, and for the year ended December 31, 2011, (there were no stock option grants in 2013 and 2012) were as follows:

| | Year ended 12/31/2014 | Year ended 12/31/2011 |
|---------------------------------|--------------------------|--------------------------|
| Average risk-free interest rate | 1.68% | 3.35% |
| Average expected life- years | 5 | 10 |
| Expected volatility | 90.44% | 94.32% |
| 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. 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, 2015 and 2014, approximately \$0.1 million was recorded as total stock-based compensation each year. Stock-based compensation expense is recorded under the captions general and administrative expenses and research and development expenses in the accompanying consolidated statements of operations.

Note 10. Business Segment Results

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

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, 2015 and 2014.

BUSINESS SEGMENT RESULTS THREE MONTHS ENDED MARCH 31, 2015 AND 2014

| | <u>Consulting</u> | | <u>Technology</u> | | <u>Corporate and Eliminations</u> | | <u>Total</u> | |
|-------------------------------|-------------------|---------|-------------------|-----------|---------------------------------------|-------------|--------------|-------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Revenue | 123,895 | 254,107 | 0 | 0 | 0 | 0 | 123,895 | 254,107 |
| Segment Profit Pre Tax | (60,918) | 80,911 | (212,831) | (432,086) | 391,411 | (3,057,077) | 117,662 | (3,408,252) |
| Total Assets | 318,383 | 507,738 | 852,862 | 725,588 | 3,816,365 | 3,210,300 | 4,987,610 | 4,443,626 |
| Property Additions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Interest

Expense

| | | | | | | | | |
|---------------------|---|---|---|---|---|---|---|---|
| Depreciation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
|---------------------|---|---|---|---|---|---|---|---|

Note 11. Fair Value Measurements

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

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

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

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

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

| | Fair value measurement using | | | |
|----------------------------------|------------------------------|------------------|--------------|--------------|
| | Quoted prices in | Significant | Significant | |
| | active markets | other | unobservable | |
| | (Level 1) | observable | inputs | Total |
| | | inputs (Level 2) | (Level 3) | |
| Balance at March 31, 2015 | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 3,171,530 | \$ | \$ | \$ 3,171,530 |
| Liabilities: | | | | |
| Warrant liability | \$ | \$ | \$ 3,435,326 | \$ 3,435,326 |

| | Fair value measurement using | | | |
|-------------------------------------|------------------------------|------------------|--------------|--------------|
| | Quoted prices in | Significant | Significant | |
| | active markets | other | unobservable | |
| | (Level 1) | observable | inputs | Total |
| | | inputs (Level 2) | (Level 3) | |
| Balance at December 31, 2014 | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 4,220,225 | \$ | \$ | \$ 4,220,225 |
| Liabilities: | | | | |
| Warrant liability | \$ | \$ | \$ 4,633,312 | \$ 4,633,312 |

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

| | Warrant Liability |
|---|-------------------|
| Balance at December 31, 2013 | \$ 1,711,000 |
| Issuance of additional warrants | 4,416,000 |
| Exercise of warrants | (331,000) |
| Change in fair value of warrant liability | (1,163,000) |
| Balance at December 31, 2014 | 4,633,000 |
| Issuance of additional warrants | - |
| Exercise of warrants | - |
| Change in fair value of warrant liability | (1,198,000) |
| Balance at March 31, 2015 | 3,435,000 |

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

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

Note 12. Subsequent Events

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, 2015, up through the date these consolidated financial statements were issued and no subsequent events occurred that required additional disclosure in the accompanying consolidated financial statements.

On March 25, 2015, the Compensation Committee and Board of Directors approved the 2015 Equity Incentive Plan (the Plan) to authorize grants of (a) Incentive Stock Options, (b) Non-qualified Stock Options, (c) Stock Appreciation Rights, (d) Restricted Awards, (e) Performance Share Awards, and (f) Performance Compensation Awards to the employees, consultants, and directors of the Company. The Plan authorizes a total of 3,000,000 shares to be available for grant under the plan. The plan becomes effective upon ratification of the shareholders of the Company at the annual meeting to be held in Washington DC on July 10, 2015.

On April 8, 2015, the Compensation Committee and the Board of Directors granted short term incentive stock options totaling 463,192 and 148,845 stock options under the 2006 Stock Plan and the 2015 Equity Incentive Plan, respectively, to employees and consultants of the Company. On April 9, 2015, the Compensation Committee and the Board of Directors granted an additional 47,017 and 15,109 stock options under the 2006 Stock Plan and the 2015 Equity Incentive Plan respectively. These stock options vest immediately but the grants under the 2015 Equity Incentive Plan can only be exercised upon ratification of the Plan. These stock options have a strike price of \$1.26, which was the closing price of the Company's stock on the prior business day, and the stock options have a fair market value of \$1.06, based on a risk free rate of 1.49%, volatility of 86.86%, and an expected life of six years. The options have a 10 year term.

On April 8, 2015 and April 9, 2015, the Compensation Committee and the Board of Directors granted long term incentive stock options totaling 483,668 and 84,129 stock options respectively, under the 2015 Equity Incentive Plan to employees and consultants of the Company. These stock options vest 1/3 on each annual anniversary date over three years. These stock options have a strike price of \$1.26, which was the closing price of the Company's stock on the prior business day, and the stock options have a fair market value of \$1.06, based on a risk free rate of 1.49%, volatility of 86.86%, and an expected life of six years. These options have a 10 year term. On April 8, 2015, the Compensation Committee and the Board of Directors granted 112,996 long term incentive stock options under the 2015 Equity Incentive Plan to the directors of the Company. These stock options fully vest on the first annual anniversary date of the grant. These stock options have a strike price of \$1.26, which was the closing price of the Company's stock on the prior business day, and the stock options have a fair market value of \$1.06, based on a risk free rate of 1.49%, volatility of 86.86%, and an expected life of six years. These options have a 10 year term.

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

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.

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 8. 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 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.

Restatement

This MD&A has been amended and restated to give effect to the restatement of our consolidated financial statements and related disclosures as of and for the three months ended March 31, 2015 and 2014. The Company is restating its historical financial results for such periods to reclassify its warrants as derivative liabilities instead of equity on the Company's balance sheets, with changes to the fair market value of the issuance of the warrants in subsequent periods reported in the Company's statement of operations. The impact of the restatement is more fully described in Note 2 to the condensed consolidated financial statements contained elsewhere in this Quarterly Report.

Overview of Our Business

We are a leading nuclear fuel technology company, and participate in the nuclear power industry in the US and internationally. Our business operations can be categorized into two segments: (i) our technology segment, which is a developer of next generation nuclear fuel technology that has the potential to significantly improve the economics of existing and new nuclear power plants by uprating the power output of reactors, reducing the per-unit of electricity cost of generating energy, and also improving the reactor safety margins and reducing nuclear waste and proliferation potential, and (ii) our consulting segment, which provides nuclear power consulting and strategic advisory services to commercial and governmental entities worldwide, both in nuclear power generation and nuclear regulation.

To date, our consulting revenue has not provided sufficient cash flow to cover both our research and development expenses and corporate overhead expenses.

The primary potential sources of cash available to us are equity 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. On November 17, 2014, we raised approximately \$4.5 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 nuclear 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 that they were planning to undertake as part of such programs. After the Fukushima accident, there has been an increased interest by nuclear utilities in seeking safety enhancements to reduce the likelihood and effects of future accidents, which may create opportunities for our nuclear fuel technology business segment.

Climate Change and Sustainability

Increasing concern globally over the impact of climate change is driving a new look at nuclear power as an answer to sustainable, CO₂-free base load power that can meet the needs of developed and developing regions of the world, particularly cities. While many in environmental movements still raise serious concerns and the nuclear power industry faces economic challenges in competing with fossil fuel-based energy producers, we believe Lightbridge's metallic fuel is uniquely positioned to enter to market soon enough to be an important component of addressing global warming and that our fuel's economic and safety benefits may overcome some of the opposition to nuclear power.

Nuclear Fuel Technology Business Segment Update

On October 20, 2014, we announced the signing of an initial cooperation agreement with Canadian Nuclear Laboratories (CNL), a wholly owned subsidiary of Atomic Energy of Canada Limited, for fabrication and test reactor irradiation of Lightbridge's patented next generation metallic nuclear fuel samples. Though we had initially planned for all of the work to take place at a single location in Chalk River, Ontario, Canada, subsequent to our announcement the Canadian government made an official decision to extend the operating life of the National Research Universal reactor at Chalk River only until the end of March 2018. This shorter than expected operating life extension would not be able to accommodate all of our anticipated schedule for irradiation testing of our metallic fuel samples. Consequently our plan is to work with CNL on fabrication of our fuel samples at their Chalk River facilities, with full irradiation of the fabricated fuel samples to be performed separately in a pressurized water loop of the Halden research reactor located in Halden, Norway. The operating license of the Halden research reactor has recently been renewed through 2020 which fits well with our anticipated irradiation testing schedule. Our current plan is to have post-irradiation examination of the irradiated fuel samples performed on the same site in Norway. There is also the opportunity to utilize additional nearby hot cell facilities located in Studsvik, Sweden that are operated by the Swedish company Studsvik AB.

We have received export control authorization from the US Department of Energy for all the planned work in Canada, Norway and/or Sweden. In the first half of 2015, we expect to begin working with CNL to fabricate our metallic fuel samples. At the end of 2016 or in early 2017, we expect to begin irradiation of the fabricated fuel samples in the Halden research reactor in Norway under prototypic commercial reactor operating conditions.

In late 2017-early 2018, we expect the first major results from the irradiation testing under prototypic commercial reactor operating conditions. We believe these test results will allow us to enter into a commercial arrangement with one or more major fuel fabricators or development partners at that time. Our plan is to license our fuel technology to the global nuclear power industry to enable existing fuel fabricators to manufacture and sell our nuclear fuel to their customers.

Our Nuclear Fuel Technology Business Segment

In response to the main needs of the nuclear power industry, which mostly relate to improving economics of nuclear power generation and enhancing safety, we are developing innovative, proprietary nuclear fuel designs. These patented nuclear fuel designs 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 (3) reducing the volume of used fuel per kilowatt-hour and enhancing proliferation resistance of spent fuel. As a result of the significantly lower operating temperatures our metallic nuclear fuel rods are expected to have improved safety margins during anticipated off-normal events.

US Nuclear Regulatory Commission processes require engineering analysis of a large break loss-of-coolant accident (LOCA). The scenario assumes failure of a large water pipe in the reactor coolant system. Under LOCA conditions, the fuel and cladding temperatures rise due to reduced cooling capacity. Preliminary analytical modeling shows that under a LOCA scenario, unlike conventional uranium dioxide fuel, the cladding of the Lightbridge-designed metallic fuel rods would stay at least 200 degrees below the 850-900 degrees Celsius temperature at which steam begins to react with the zirconium cladding generating hydrogen gas. Buildup of hydrogen gas in a nuclear power plant can lead to a detonation. Lightbridge fuel is designed to prevent hydrogen gas generation in LOCA situations.

For uprates up to 10%, only relatively minor reactor system modifications would be required. We believe that nuclear utilities with existing reactor fleets may find it economically attractive to 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. In that case, nuclear utilities would only 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 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. Our metallic fuel could also be adapted for use in other types of water-cooled commercial power reactors, such as CANDU heavy water reactors and water-cooled small modular reactors.

In response to specific feedback from Lightbridge's Nuclear Utility Fuel Advisory Board comprised of senior fuel managers from four large US 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. This major design improvement eliminates potential fuel performance constraints associated with having conventional uranium dioxide fuel rods in our previous fuel assembly design.

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 oxide fuel rods in an assembly.

Our current fuel development and demonstration efforts are focused on key critical path items that include fabrication of semi-scale metallic fuel samples and their irradiation to full burn-up in a pressurized water loop of a test reactor under operating conditions close to prototypic for a full-size commercial reactor. Due to US sanctions already imposed on Russia and the potential for further political and economic isolation of Russia by the United States and the European Union over its role in an ongoing conflict in Ukraine, our original plan to have semi-scale fuel samples fabricated and irradiated under prototypic PWR operating conditions in an isolated coolant loop of the MIR research reactor in Dimitrovgrad, Russia was disrupted in 2014. Similarly, a parallel irradiation program for Russia-fabricated fuel samples in the Advanced Test Reactor at Idaho National Laboratory was adversely impacted by these unforeseen circumstances.

To mitigate the impact of these unfavorable developments on our project, we have identified alternative sites outside Russia to complete the remaining demonstration work for our metallic nuclear fuel. On October 20, 2014, we announced the signing of an Initial Cooperation Agreement with Canadian Nuclear Laboratories (CNL), formerly known as AECL's Chalk River Laboratories, in Canada to perform fabrication and loop irradiation testing of Lightbridge-designed fuel samples at CNL's existing facilities at Chalk River, ON, Canada. We plan to work with CNL on fabrication of our fuel samples at their Chalk River facilities, with full irradiation of the fabricated fuel samples to be performed in a pressurized water loop of the Halden research reactor located in Halden, Norway. The operating license of the Halden research reactor has recently been renewed through 2020 which fits well with our anticipated irradiation testing schedule. Our current plan is to have post-irradiation examination of the irradiated fuel samples performed on the same site in Norway. There is also the opportunity to utilize additional nearby hot cell facilities located in Studsvik, Sweden that are operated by the Swedish company Studsvik AB.

In addition to the above critical path activities, our near-term efforts will be focused on working towards securing in early 2016 a written expression of interest from a domestic or foreign utility to a nuclear regulator to operate lead test assemblies with our nuclear fuel in a commercial power reactor in approximately the 2020-2021 time-frame. In late 2017-early 2018, we expect the first major results from the irradiation testing under prototypic commercial reactor operating conditions. We believe these test results will allow us to enter into a commercial arrangement with one or more major fuel fabricators or development partners at that time. Our plan is to license this nuclear fuel technology into the global nuclear power industry to enable fuel fabricators to manufacture and sell our nuclear fuel to their nuclear utility customers that operate commercial nuclear power plants worldwide.

According to the Nuclear Energy Institute (NEI), in 2014, over 19% of US electricity was generated by nuclear power. NEI states that nuclear energy accounted for 63.0 percent of US emission-free generation in 2014. We believe that the US carbon emission reduction targets can only be met with plans that include a large increase in nuclear power. Power uprates and longer fuel cycles at existing nuclear power plants enabled by adoption of Lightbridge metallic fuel could

support in a cost-effective way expansion of nuclear generation capacity in the United States and elsewhere. Lightbridge is designing our nuclear fuel technology to become a significant driver of generating more non-carbon electricity from existing reactors and providing greater electricity output in new-build reactors. In the second quarter of 2014, the Commonwealth of Australia Patents Office approved and issued to Lightbridge the key patent covering Lightbridge's multi-lobed metallic fuel rod design and fuel assemblies. This is our first foreign patent since the US Office of Patents and Trademarks issued a US patent for this key invention in February 2014. In the third quarter of 2014, Lightbridge filed with the US Office of Patents and Trademarks a provisional patent application relating to use of our metallic fuel in CANDU-type power reactors.

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 have been 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 provided consulting services in additional countries, including all the member states of the Gulf Cooperation Council (GCC) (the GCC is 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). We have also provided nuclear safety consulting advice to US nuclear utilities.

On October 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 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.

On July 24, 2014, a consortium that includes Lightbridge was awarded a multi-year, technical-support services contract to support an independent government agency overseeing construction of nuclear power plants. The scope of contracted services for 2015 includes support for inspections as well as support for inspection program related infrastructure such as planning and tracking systems and documents.

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

On August 14, 2014, we signed a Memorandum of Understanding with the Vietnam Agency for Radiation and Nuclear Safety (VARANS) to provide regulatory, legal, and administrative support to Vietnam's civil nuclear program.

On October 17, 2014, we signed a comprehensive cooperation agreement for consulting services with the Vietnam Atomic Energy Institute (VINATOM) related to the construction and safe operation of Vietnam's Atomic Energy Research Center, including a nuclear research reactor. Our collaboration with VINATOM involves 24 specific activities, including design review and selection of nuclear research reactors, site selection, and nuclear security protocols.

On October 17, 2014, we signed a teaming agreement with Vietnam's leading energy engineering consultant, Power Engineering Consulting Joint Stock Company 1 (PECC1), for consulting services related to construction and safe operation of a nuclear research reactor, which is planned as part of the country's Center for Nuclear Energy Science and Technology (CNEST). Work under the five-year, Lightbridge-VINATOM agreement will support CNEST, a planned \$500 million facility. The VINATOM agreement also stipulates support for nuclear quality assurance; research-reactor fuel selection; control-room operations; safeguards, control and accounting of nuclear material; and related training programs.

On November 10, 2014, we signed an amendment to the consultancy agreement with FANR, which was originally signed on July 15, 2012, and which was previously extended in January 2014. This Agreement had been scheduled to expire December 31, 2014, and this Amendment extends the term of the Agreement to December 31, 2016. These services are in addition to the August 11, 2014 agreement where we were selected to provide quality assurance, safety and construction inspection services in support of the in-house inspection group of FANR as a team with Lloyd's Register.

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

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, in particular natural gas, fall below or remain below the cost of electricity from new nuclear generation facilities, it could limit the deployment of new build nuclear power plants in such markets. This could reduce the size of the potential markets for our fuel technology. If prices or production costs of non-nuclear energy increase, there may be increased demand for the deployment of new

build nuclear power plants.

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 operations and/or financial condition. We have identified certain accounting policies that we believe are most important to the understanding 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 US tax regulations. Our advisory board members and consultants do not meet the employer-employee relationship as defined by the IRS and therefore stock-based compensation to them is 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 measurement date using the 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.

We use the historical volatility of our stock price over the number of years that matches the expected life of our stock option grants or we use the historical volatility of our stock price since January 5, 2006, the date we announced that we were becoming a public company, to estimate the future volatility of our stock. At this time we do not believe that there is a better objective method to predict the future volatility of our stock. 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 US 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 for the foreseeable future.

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

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 US 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 \$0.9 million and \$0.8 million as of March 31, 2015 and December 31, 2014, respectively. 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.

Warrant Liability

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

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 - Restated**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, 2015 and 2014, in order to provide a meaningful discussion of our business segments. We have organized our operations into two principal segments: Consulting and 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, 2015 AND 2014

| | <u>Consulting</u> | | <u>Technology</u> | | <u>Corporate and Eliminations</u> | | <u>Total</u> | |
|---------------------------|-------------------|---------|-------------------|-----------|---------------------------------------|-------------|--------------|-------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Revenue | 123,895 | 254,107 | 0 | 0 | 0 | 0 | 123,895 | 254,107 |
| Segment Profit | | | | | | | | |
| Tax | (60,918) | 80,911 | (212,831) | (432,086) | 391,411 | (3,057,077) | 117,662 | (3,408,252) |
| Total Assets | 318,383 | 507,738 | 852,862 | 725,588 | 3,816,365 | 3,210,300 | 4,987,610 | 4,443,626 |
| Property Additions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest Expense | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Technology Business

Over the next 12 to 15 months, we expect to incur approximately \$3 million in research and development expenses related to the development of our proprietary nuclear fuel designs. We spent approximately \$0.2 million and \$0.4 million for research and development during the three months ended March 31, 2015 and 2014, respectively.

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

Consulting Services Business

At the present time, all of our revenue for the three months ended March 31, 2015 and 2014 is from our consulting services business segment and is derived by offering services to governments outside of the US planning to create or expand electricity generation capabilities using nuclear power plants. The fee type and structure that we offer for each client engagement is dependent on a number of variables, including the complexity of the services, the level of the opportunity for us to improve the client's electricity generation capabilities using nuclear power plants, and other factors.

Consolidated Results of Operations

The following table presents our historical operating results as a percentage of revenues for the three months ended March 31, 2015 and March 31, 2014 indicated:

| | 2015 | 2014 | (Decrease) Change \$ | (Decrease) Change % |
|---------------------------------------|----------------|----------------|-------------------------|------------------------|
| Consulting Revenues | \$ 123,895 | \$ 254,107 | \$ (130,212) | % -51% |
| Cost of services provided | | | | |
| Consulting expenses | \$ 57,391 | 125,012 | \$ (67,621) | % -54% |
| % of total revenues | 46% | 49% | | |
| Gross profit | \$ 66,504 | \$ 129,095 | \$ (62,591) | % -48% |
| % of total revenues | 54% | 51% | | |
| Operating Expenses | | | | |
| General and administrative | | | | |
| | \$ 931,643 | \$ 1,131,419 | \$ (199,776) | % -18% |
| % of total revenues | 752% | 445% | | |
| Research and development expenses | \$ 212,831 | \$ 431,986 | \$ (219,155) | % -51% |
| % of total revenues | 172% | 170% | | |
| Total Operating Loss | \$ (1,077,970) | \$ (1,434,310) | \$ (356,340) | % -25% |
| % of total revenues | -870% | -564% | | |
| Other Income and (Expenses) | \$ 1,195,632 | (1,973,942) | \$ 3,169,574 | % 161% |
| % of total revenues | 965% | -777% | | |
| Net loss - before income taxes | \$ 117,662) | \$ (3,408,252) | \$ 3,525,915 | % 103% |
| % of total revenues | 95% | -1,341% | | |

Revenue

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

| | Three Months Ended | |
|------------------------------|--------------------|---------------|
| | 2015 | 2014 |
| Consulting Segment Revenues: | | |
| ENEC and FANR (UAE) | \$ 0.0 | \$ 0.3 |
| Other (other countries) | 0.1 | 0.0 |
| Total | 0.1 | 0.3 |
| Technology Segment Revenues | 0.0 | 0.0 |
| Total Revenues | \$ 0.1 | \$ 0.3 |

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

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

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

Costs and Expenses

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

| | Three Months Ended March 31, | | | |
|------------|---------------------------------|-----|------|-----|
| | 2015 | | 2014 | |
| Consulting | \$ | 0.1 | \$ | 0.1 |
| Technology | | 0.0 | | 0.0 |
| Total | \$ | 0.1 | \$ | 0.1 |

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 2015 and 2014. If consulting revenues increase in future periods, we expect cost of services provided will increase in dollar amount and may increase as a percentage of revenues due to increased pricing competition for consulting contracts.

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

Research and Development

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

| | Three Months Ended March 31, | | | |
|-----------------------------------|---------------------------------|-----|------|-----|
| | 2015 | | 2014 | |
| Research and development expenses | \$ | 0.2 | \$ | 0.4 |

Research and development expenses consist mostly of compensation and related costs for personnel responsible for the research and development of our fuel. The decrease of \$0.2 million in 2015 was primarily due to a decrease in research and development labor costs. All of our research and development activities were conducted in Russia and the United States. We expense research and development costs as they are incurred.

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

See Note 7 of the Notes to our Consolidated Financial Statements included in Part I Item 1 of this Quarterly Report Form on 10-Q/A for additional information about our research and development costs.

General and Administrative Expenses

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

Three Months Ended
March 31,

2015

2014

| | | | | |
|-------------------------------------|----|-----|----|-----|
| General and administrative expenses | \$ | 0.9 | \$ | 1.1 |
|-------------------------------------|----|-----|----|-----|

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

The general and administrative expenses decrease of \$0.2 million was due to a decrease in payroll expenses and payroll related benefits of \$0.1 million, which was due to a decrease in employees due to staff reductions and a decrease in professional fees of \$0.1 million.

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

Other Income (Expenses), Net

Interest income and other income and expenses, for the three months ended March 31, 2015 as compared to the three months ended March 31, 2014, was substantially the same.

Change in Revaluation of Warrant Liability

During the three months ended March 31, 2015 and 2014, we recorded non-cash warrant income of \$1.2 million and warrant expense of \$2.0 million, respectively, for warrant revaluation in our statements of operations due to a change in the fair value of the warrant liability as a result of a change in our stock price and a change in the contractual life of the warrants.

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

Provision for Income Taxes

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

| | Three Months Ended March 31, | |
|----------------------------|---------------------------------|--------|
| | 2015 | 2014 |
| Provision for income taxes | \$ 0.0 | \$ 0.0 |

We incurred a net loss for both 2015 and 2014, and took a 100% valuation allowance against all deferred tax assets. Therefore we did not have a provision for taxes for both the three months ended March 31, 2015 and 2014.

Liquidity, Capital Resources and Financial Position

As of March 31, 2015, we had total cash and cash equivalents and restricted cash of approximately \$3.5 million. Our working capital at March 31, 2015, is approximately \$3.5 million. Our projected monthly cash flow shortfall from our current operations for the next 12 months is approximately \$450,000 per month. Based on our March 31, 2015 working capital amount and our projected monthly operating cash flow shortfall, we do not expect to have sufficient working capital to fund our operations for the next 12 months. We are working to reduce our current monthly cash flow shortfall. We may also delay incurring some operating expenses in 2015, which will reduce our cash flow shortfall for the next 12 months, if needed. 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, | |
|---------------------------------------|---------------------------------|----------|
| | 2015 | 2014 |
| Net cash used in operating activities | \$ (1.0) | \$ (1.5) |
| Net cash used in investing activities | \$ (0.0) | \$ (0.0) |
| Net cash used in financing activities | \$ (0.0) | \$ (0.0) |
| Net cash outflow | \$ (1.0) | \$ (1.5) |

Operating Activities

The decrease in our cash used in operating activities in 2015 was primarily due to the decrease in our consulting revenue in 2015 and the change in working capital items as explained below.

Cash used in operating activities in the three months ended March 31, 2015, consisted of net loss adjusted for non-cash (income) expense items such as depreciation and amortization and warrant revaluation, as well as the effect of changes in working capital. Cash used in operating activities in the three months ended March 31, 2015, consisted of net income of \$0.1 million and net adjustments for non-cash (income) expense items totaling (\$1.1) million, consisting of stock-based compensation of \$0.1 million and warrant revaluation of (\$1.2) million. Total cash provided by working capital was not significant.

Cash used in operating activities for the three months ended March 31, 2014, consisted of net loss adjusted for non-cash (income) expense items such as depreciation and amortization and warrant revaluation, 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 \$3.4 million and net adjustments for non-cash expense items totaling \$2.1 million, consisting of stock-based compensation of \$0.1 million and warrant revaluation of \$2.0 million. Total cash used for working capital totaled \$0.2 million. The cash used for working capital was due to the decrease in accounts receivable of \$0.3 million offset by an increase in prepaid expenses and other assets of \$0.1 million.

Investing Activities

Net cash used by our investing activities for the three months ended March 31, 2015, as compared to net cash used by our investing activities in 2014 are substantially the same. Patent applications costs are also part of our investing activities. These applications are filed for the new developments resulting from our research and development activities in our technology business segment. We anticipate these patent costs to increase in the future periods due to the continuing research and development work we plan to perform on our all-metal fuel design.

Financing Activities

Net cash used by our financing activities for the three months ended March 31, 2015, as compared to net cash used by our financing activities for the three months ended March 31, 2014 are substantially the same.

Short-Term and Long-Term Liquidity Sources

We will seek new financing or additional sources of capital, depending on the capital market conditions, over the next 12 months. 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.

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

Off Balance Sheet Arrangements

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

Seasonality

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

Inflation

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
Not Required.

ITEM 4. CONTROLS AND PROCEDURES.
Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15 under the Exchange Act, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as of the end of the period covered by this report on Form 10-Q/A. This evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer. Based upon that evaluation, management concluded that our disclosure controls and procedures are not effective to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to management (including 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.

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 (a) material information relating to us, including our consolidated subsidiaries, is made known to management, including these officers, by our other employees, and (b) this information is recorded, processed, summarized, evaluated and reported, as applicable, within the time periods specified in the SEC's rules and forms. At the time that our Quarterly Report on Form 10-Q for the quarters ended March 31, 2015 and 2014, was filed on May 7, 2015, our Chief Executive Officer and Chief Financial Officer concluded that our internal control over financial reporting was effective as of March 31, 2015. Subsequent to that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that we did not maintain effective internal control over financial reporting as of March 31, 2015 because of a material weakness in our internal control over financial reporting described below related to accounting for warrants. Notwithstanding the material weakness described above, management has concluded that our condensed consolidated financial statements for the periods included in this Quarterly Report on Amended Form 10-Q/A are fairly stated in all material respects in accordance with generally accepted accounting principles for each of the periods presented herein.

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

Changes in Internal 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.

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.

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

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

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

The Company believes that all of the claims by Mr. Guerra are without merit and intends to vigorously defend itself.

ITEM 1A. RISK FACTORS

Risks Associated with our Fuel Technology Business

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

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

As described elsewhere in this Quarterly Report on Form 10-Q/A, we identified a material weakness in our internal control over financial reporting related to our prior interpretation of ASC 815 and our initial classification and subsequent accounting of warrants as either liabilities or equity instruments. As a result of this material weakness, our management concluded that our internal control over financial reporting was not effective as of March 31, 2015. This material weakness resulted in a misstatement of our liabilities, non-cash expense relating to the changes in fair value of common stock warrants, additional paid-in capital, accumulated deficit accounts and related financial disclosures.

To respond to this material weakness, we have devoted, and plan to continue to devote, significant effort and resources to the remediation and improvement of our internal control over financial reporting. While we have processes to identify and intelligently apply developments in accounting, we plan to enhance these processes to better evaluate our research and understanding of the nuances of increasingly complex accounting standards. Our plans at this time include providing enhanced access to accounting literature, research materials and documents and increased communication among our personnel and third party professionals with whom we consult regarding complex accounting applications. The elements of our remediation plan can only be accomplished over time and we can offer no assurance that these initiatives will ultimately have the intended effects. For a discussion of management's consideration of the material weakness identified, related to our warrant accounting, see Note 2, Restatement of

Previously Issued Condensed Consolidated Financial Statements to the condensed consolidated financial statements, as well as Part I, Item 4, Controls and Procedures included in this amended Quarterly Report on Form 10-Q/A.

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

Failure to raise additional capital or generate the cash flows necessary to expand our operations and continue our research and development could significantly impede our ability to continue as a going concern.

We will need to raise additional funds in order to continue our research and development activities and our operations, as planned over the next 12 months 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, and it will limit our future operations.

If we are unable to enter into one or more commercial agreements with nuclear fuel fabricators and/or fuel development partners, 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 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 potential development partners regarding entry into agreements to support our research and development activities and further enhance the development of our fuel products. We are unable to provide a reliable estimate as to the likelihood or timing of any such agreements at this time. If we are unable to demonstrate meaningful progress towards entry into these 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 9-12 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 commercial reactor conditions, 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 or at a reasonable cost, which could cause development program schedule delays.

We will also have to enter into a commercial arrangement with a fuel fabricator to 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 that we target. 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. 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 US 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 US 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, our 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 regulators 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 risk associated with possible negative perception of uranium enrichment 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) PWR 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 or develop our own know-how necessary for fabrication of our nuclear fuel designs, our ability to exploit our intellectual property may be limited.

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 which we license our fuel technology, desires to utilize such existing processes or methodologies in the future, a license or other right to use such technologies from other 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 rods and fuel assembly components. 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 metallic fuel rods and fuel assembly components, 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.

Some of our nuclear engineering work is performed by individual consultants based in Russia, making it subject to political uncertainties relating to Russia and US.-Russian relations.

Some of our nuclear engineering work is performed by individual consultants based in Russia. Our nuclear engineering operations conducted in Russia are subject to various political risks and uncertainties inherent in the country of Russia. If US-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 US government may decide to impose sanctions or other legal restrictions

preventing US businesses from doing business in Russia. If this should happen, nuclear engineering activities performed by our Russian consultants could be scaled back or shut down, which could cause development program schedule delays and may require additional funding to hire nuclear engineering consultants with similar skills outside Russia. In October 2014, we signed an Initial Cooperation Agreement with Canadian Nuclear Laboratories for fabrication and loop irradiation testing of Lightbridge-designed nuclear fuel samples in Canada. On November 12, 2014, we received a US export authorization letter from the National Nuclear Security Administration of the US Department of Energy approving our proposed scope of work in Canada. We intend to continue pursuing a strategy of shifting the most critical elements of our R&D activities away from Russia to mitigate Russia political risk.

Our plans to develop our fuel technology depend on the renewal of the 123 Agreement between the United States and Norway. If the 123 Agreement is not renewed, we may suffer program schedule delays, which could have a detrimental impact on our operations.

On October 20, 2014, we announced the signing of an Initial Cooperation Agreement with Canadian Nuclear Laboratories (CNL), formerly known as AECL Chalk River Laboratories, in Canada to perform fabrication and loop irradiation testing of Lightbridge-designed fuel samples at CNL's existing facilities at Chalk River, ON, Canada. At the time of the announcement, our preference was for all of the proposed work to take place at a single location in Chalk River, Ontario, Canada. Subsequently, on February 9, 2015, the Canadian government made an official decision to extend the operating life of the National Research Universal reactor at Chalk River from 2016 through March 31, 2018. This shorter than expected operating life extension would not be able to accommodate all of our anticipated schedule for irradiation testing of our metallic fuel samples. Shipping partially irradiated fuel samples from Canada to another research reactor in a different country would entail significantly higher shipping costs, longer timelines, and more challenging transportation logistics. As a result, our current plan is to work with CNL on fabrication of our fuel samples at their Chalk River facilities, with full irradiation of the fabricated fuel samples to be performed in a pressurized water loop of the Halden research reactor located in Halden, Norway. The operating license of the Halden research reactor has recently been renewed through 2020 which would allow us to maintain our proposed irradiation testing schedule. Our current plan is to have post-irradiation examination of the irradiated fuel samples performed on the same site in Norway or to utilize additional nearby hot cell facilities located in Studsvik, Sweden that are operated by the Swedish company Studsvik AB.

In February 2015, in response to our request for guidance, the National Nuclear Security Administration of the US Department of Energy, or NNSA, confirmed that the proposed activities relating to fabrication, irradiation testing and post-irradiation examination of our fuel samples as outlined in our revised plan are generally authorized. However, the NNSA supplementally stated that a transfer of our fuel samples to Norway would not be possible until the 123 Agreement between the United States and Norway was renewed. A 123 Agreement is required under Section 123 of the U.S. Atomic Energy Act for significant transfers of nuclear material, equipment, or components from the United States to another nation. If the 123 Agreement between the United States and Norway is not renewed by the time our fuel samples are fabricated and ready for shipment (currently expected around the end of 2016), we may risk program schedule delays. Such delays could disrupt our fuel technology development plans, which may have a detrimental impact on the results of our operations.

If the US Department of Energy (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 could become compromised and our business model could 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 US 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 could become compromised and our business model may then 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.

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

Intellectual property rights are evolving in Russia, and are trending towards international norms, but are by no means fully developed. We have worked closely with our Russian branch office employees and other Russian contractors and entities to develop some of our material intellectual property. Some of our earlier intellectual property rights originate from our patent filings in Russia. Our worldwide rights in some of this intellectual property, therefore, may be affected by Russian intellectual property laws. If the application of Russian laws to some of our intellectual property rights proves inadequate, then we may not be able to fully avail ourselves of all of our intellectual property, and our business model may be impeded.

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 strong earthquake and massive tsunami that occurred on March 11, 2011, increased public opposition to nuclear power in some countries, resulting in a slowdown in, or, in some cases, a complete halt to, new construction of nuclear power plants and an early shut down of existing power plants in certain 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, our Chief Executive Officer. 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 our 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 us.

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. The major nuclear accident that occurred at the Fukushima nuclear power plant in Japan beginning on March 11, 2011, has had an adverse effect on public opinion about nuclear power in some countries and the favorable regulatory climate needed to introduce new nuclear technologies. Strong public opposition has hindered the construction of new nuclear power plants and led 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 US 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 US 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.

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 and 2014. 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 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;
- limited liquidity in our common stock;

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.

We will need additional capital, and the sale of additional shares or other equity securities could result in additional dilution to our stockholders.

We may seek to sell additional equity securities or incur debt to fund our operations. The sale of additional equity securities will result in additional dilution to our stockholders. The incurrence of additional indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations. We cannot assure you that financing, if necessary, will be available in amounts or on terms acceptable to us, if at all.

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

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable

ITEM 4 MINE SAFETY DISCLOSURES

Not Applicable

ITEM 5. OTHER INFORMATION

Not Applicable.

ITEM 6. EXHIBITS

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> |
|-----------------------|---|
| <u>10.1</u> | <u>Change Order No. 2 to Consultancy Services Agreement between Emirates Nuclear Energy Corporation and the Company</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> |
| <u>101.INS</u> | <u>XBRL Instance Document</u> |
| <u>101.SCH</u> | <u>XBRL Taxonomy Extension Schema Document</u> |
| <u>101.CAL</u> | <u>XBRL Taxonomy Extension Calculation Linkbase Document</u> |
| <u>101.DEF</u> | <u>XBRL Taxonomy Extension Definition Linkbase Document</u> |
| <u>101.LAB</u> | <u>XBRL Taxonomy Extension Label Linkbase Document</u> |
| <u>101.PRE</u> | <u>XBRL Taxonomy Extension Presentation Linkbase Document</u> |

SIGNATURES

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

Date: November 23, 2015

LIGHTBRIDGE CORPORATION

By: /s/ Seth Grae

Name: Seth Grae

Title: President, Chief Executive Officer and
Director

(Principal Executive Officer)

By: /s/ Linda Zwobota

Name: Linda Zwobota

Title: Chief Financial Officer

(Principal Financial Officer and Principal
Accounting

Officer)

EXHIBIT INDEX

| <i>Exhibit Number</i> | <i>Description</i> |
|-----------------------|---|
| <u>10.1</u> | <u>Change Order No. 2 to Consultancy Services Agreement between Emirates Nuclear Energy Corporation and the Company</u> |
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