

LIGHTBRIDGE Corp
Form 10-Q
May 10, 2012

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended: March 31, 2012

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

For the transition period from _____ to _____

Commission File Number: 001-34487

LIGHTBRIDGE CORPORATION

(Exact name of registrant as specified in its charter)

Nevada

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

91-1975651

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

**1600 Tysons Boulevard, Suite 550
McLean, VA 22102**

(Address of principal executive offices, Zip Code)

(571) 730-1200

(Registrant's telephone number, including area code)

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

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

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to

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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 (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 May 4, 2012 is as follows:

<u>Class of Securities</u>	<u>Shares Outstanding</u>
Common Stock, \$0.001 par value	12,474,202

ITEM 1. FINANCIAL STATEMENTS

**LIGHTBRIDGE CORPORATION
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011**

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Lightbridge Corporation
Condensed Consolidated Balance Sheets

	March 31, 2012 (Unaudited)	December 31, 2011
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,965,892	\$ 3,569,098
Marketable securities	5,297,762	5,146,823
Restricted cash	552,432	551,883
Accounts receivable - project revenue and reimbursable project costs	925,254	277,211
Prepaid expenses and other current assets	377,759	269,697
Total Current Assets	9,119,099	9,814,712
Property Plant and Equipment -net	40,348	46,514
Other Assets		
Patent costs - net	565,104	537,075
Security deposits	80,324	120,486
Total Other Assets	645,428	657,561
Total Assets	\$ 9,804,875	\$ 10,518,787
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 1,412,311	\$ 1,680,433
Total Current Liabilities	1,412,311	1,680,433
Commitments and contingencies		
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, 12,500,360 shares issued, 12,464,766 shares outstanding and 12,476,414 shares issued, 12,427,220 shares outstanding at March 31, 2012 and December 31, 2011, respectively	12,465	12,427
Additional paid in capital - stock and stock equivalents	71,329,282	70,946,951
Deficit	(62,952,308)	(62,155,774)
Common stock reserved for issuance, 977 shares and 17,120 shares at March 31, 2012 and December 31, 2011, respectively	3,125	34,750
Total Stockholders Equity	8,392,564	8,838,354
Total Liabilities and Stockholders Equity	\$ 9,804,875	\$ 10,518,787

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,	
	2012	2011
Revenue:		
Consulting Revenue	\$ 1,257,521	\$ 1,578,094
Cost of Consulting Services Provided	769,685	1,093,019
Gross Margin	487,836	485,075
Operating Expenses		
General and administrative	945,362	1,727,186
Research and development expenses	496,708	499,640
Total Operating Expenses	1,442,070	2,226,826
Operating Loss	(954,234)	(1,741,751)
Other Income and (Expenses)		
Investment income	151,558	105,822
Other income (expenses)	6,142	(2,810)
Total Other Income and Expenses	157,700	103,012
Net loss before income taxes	(796,534)	(1,638,739)
Income taxes	0	0
Net loss	\$ (796,534)	\$ (1,638,739)
Net Loss Per Common Share, Basic and diluted	\$ (0.06)	\$ (0.13)
Weighted Average Number of shares outstanding	12,432,282	12,353,251

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	
	2012	2011
Operating Activities:		
Net Loss	\$ (796,534)	\$ (1,638,739)
Adjustments to reconcile net loss from operations to net cash used in operating activities:		
Stock based compensation	350,745	404,377
Depreciation and amortization	6,166	7,297
Unrealized (gains) loss on marketable securities	(87,929)	37,756
Changes in non-cash operating working capital items:		
Accounts receivable - fees and reimbursable project costs	(648,043)	85,597
Prepaid expenses and other assets	(67,901)	(830,610)
Accounts payable, accrued liabilities and other current liabilities	(268,122)	(188,061)
Deferred revenue	0	837,130
Net Cash Used In Operating Activities	(1,511,618)	(1,285,253)
Investing Activities:		
Proceeds from the sale of marketable securities	0	1,949,893
Purchase of Marketable securities	(63,010)	0
Property and equipment	0	(1,540)
Patent costs	(28,029)	(21,877)
Net Cash Provided By (Used In) Investing Activities	(91,039)	1,926,476
Financing Activities:		
Restricted cash	(549)	(283)
Net Cash Used In Financing Activities	(549)	(283)
Net Increase (Decrease) In Cash and Cash Equivalents	(1,603,206)	640,940
Cash and Cash Equivalents, Beginning of Period	3,569,098	2,373,421
Cash and Cash Equivalents, End of Period	\$ 1,965,892	\$ 3,014,361
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year:		
Interest paid	\$ 0	\$ 0
Income taxes paid	\$ 0	\$ 0

The accompanying notes are an integral part of these 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, 2011, included in our Annual Report on Form 10-K for the year ended December 31, 2011.

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

We were incorporated in the state of Delaware on January 8, 1992, and changed our name to Thorium Power, Inc. (TPI) in April 2001. On February 14, 2006, Novastar Resources Ltd., a Nevada corporation (Novastar), entered into an Agreement and merged on October 6, 2006 with TPI. After the merger, we were known as Thorium Power Ltd. and TPI became our wholly-owned subsidiary. On September 29, 2009 we changed our name from Thorium Power, Ltd. to Lightbridge Corporation (Lightbridge or the Company). We are engaged in two operating business segments, our Technology Business Segment and our Consulting Business Segment (see Note 9-Business Segment Results).

Technology Business Segment

Our primary business segment, based on future revenue potential, is to develop innovative, proprietary nuclear fuel designs which we expect will significantly enhance the nuclear power industry's economics and increase power output by: 1) extending the fuel cycle length to 24 months while simultaneously increasing the power output by up to 17% in existing pressurized water reactors (PWRs), including Westinghouse 4-loop reactors, which are currently limited to an 18-month fuel cycle; 2) enabling increased reactor power output (up to 30% increase) without changing the core size in new-build PWRs; and 3) addressing the back-end of the fuel cycle concerns related to the volume of used fuel per kilowatt-hour as well as proliferation of weapons-usable materials. There are significant technology synergies among our primary fuel products due to utilization of the proprietary metallic fuel rod technology that is at the core of each of them. As a result, once completed, full-scale demonstration and qualification of the metallic fuel rod technology will simultaneously advance all of our product families currently under development.

We are currently focusing our development efforts on three primary fuel product lines: 1) all-uranium seed and blanket fuel for existing plants, 2) all-metal fuel (i.e., non-oxide fuel) for new build reactors, and 3) thorium-based seed and blanket fuel for both existing and new build reactors. Each of the fuel designs utilizes our metallic fuel rod technology.

Consulting Business Segment

Our business model expanded with a consulting business segment being established in 2007, providing consulting and strategic advisory services to companies and governments planning to create or expand electricity generation capabilities using nuclear power plants. We had secured four contracts for consulting and strategic advisory services in the United Arab Emirates (UAE). 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 UAE and Federal Authority for Nuclear Regulation (FANR) formed by the government of UAE. Under these two agreements, we are to provide consulting and strategic advisory services over a contract term of five years starting from June 23, 2008, with automatic renewals of these contracts for one year periods.

Accounting Policies and Pronouncements

Basis of Consolidation

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

All significant intercompany transactions and balances have been eliminated in consolidation. We formed a branch office in the United Kingdom in 2008 called Lightbridge Advisors Limited, which is wholly-owned by Lightbridge International Holding, LLC. We also established a branch office in Moscow, Russia, established in July 2009 and a branch office in the UAE in January 2010, which are also both wholly-owned by Lightbridge International Holding, LLC.

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.

Concentrations

Financial instruments that potentially subject us to concentrations of credit risk consist principally of cash equivalents, marketable securities and accounts receivable. Cash equivalents and marketable securities consist of money market funds and mutual bond funds held with one major financial institution with a high credit standing. The underlying fixed-income investments of the money market and bond mutual funds are either United States Treasury securities or represent a diversified portfolio of investments. Accounts receivable are typically unsecured and are derived from revenues earned from customers located around the world. In 2012 and 2011, we generated approximately all of our revenues from customers based outside the U.S., with our customers located in the Middle East and France. We perform ongoing evaluations to determine customer credit and we limit the amount of credit we extend, but generally we do not require collateral from our customers. We maintain reserves for estimated credit losses however no reserve has been set up for 2012 and 2011 as we have not incurred any credit losses from our customers, to date. Substantially all of our consulting revenues are from the FANR and ENEC contracts for the three months ended March 31, 2012.

Revenue Recognition

The following table presents our revenues by business segment:

	2012	2011
Revenues:		
Consulting	\$ 1,257,521	\$ 1,578,094
Technology	-	-

Total		\$	1,257,521	\$	1,578,094
	7				

Consulting Business Segment

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

Revenues from the Executive Affairs Authority (EAA) of Abu Dhabi, one of the member Emirates of the UAE, and the related entities, ENEC and FANR, are billed and recognized on a time and expense basis.

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

Technology Business Segment

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

Stock-Based Compensation

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

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

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

We have elected to use the Black-Scholes-Merton pricing model to determine the fair value of stock options on the dates of grant. Restricted stock units are measured based on the fair market values of the underlying stock on the dates of 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. Also, we recognize stock-based compensation using the straight-line method.

For the three months ended March 31, 2012 and 2011, we recognized stock-based compensation of approximately \$0.4 million for each period. Related income tax benefits were not recognized, as we incurred a tax loss for both years.

Fair Value of Financial Instruments

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

Cash and Cash Equivalents, Restricted Cash and Marketable Securities

We invest our excess cash in money market mutual funds, and mutual bond funds. We classify all highly liquid investments with stated maturities of three months or less from date of purchase as cash equivalents and all highly liquid investments with stated maturities of greater than three months as marketable securities. We hold cash balances in excess of the federally insured limits of \$250,000 with two prominent financial institutions. We deem this credit risk not to be significant as our cash is held by major prominent financial institutions. Total cash and cash equivalents held in checking accounts and a money market core cash account, as reported on the accompanying consolidated balance sheets, totaled approximately \$2.0 million and \$3.6 million at March 31, 2012 and December 31, 2011, respectively.

Restricted cash represents cash being held by one prominent financial institution that is being used as collateral for our corporate credit cards and our letters of credit issued to some of our customers. There were no letters of credit outstanding as of December 31, 2011. The total balance of our restricted cash at March 31, 2012 and December 31, 2011 was approximately \$0.6 million.

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

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

The total quoted fair value of our marketable securities at March 31, 2012 was approximately \$5.3 million. This amount was held in the following mutual funds: (1) Doubleline Total Return Bond Fund (Symbol - DLTNX) - \$1.0 million; (2) Vanguard Wellesley Income Fund (Symbol - VWINX) - \$1.4 million; (3) Vanguard High Yield Corp Investor Fund (Symbol - VWEHX) - \$1.4 million; (4) Vanguard GNMA Investor Fund (Symbol - VFIIX) - \$0.7 million and (5) Vanguard Short Term Investment Grade Investor (Symbol - VGSTX) - \$0.8 million. The cost basis of these above investments was approximately \$5.1 million and they were all purchased on October 12, 2011. The amortized cost basis and fair value of each major type of marketable security was approximately the same at March 31, 2012. The unrealized gain recorded on these marketable securities for the three months ended March 31, 2012 and 2011 was approximately \$0.1 million and \$0, respectively.

The total quoted fair value of our marketable securities at December 31, 2011 was approximately \$5.2 million. This amount was held in the following mutual funds: (1) Doubleline Total Return Bond Fund (Symbol - DLTNX) - \$1.0 million; (2) Vanguard Wellesley Income Fund (Symbol - VWINX) - \$1.3 million; (3) Vanguard High Yield Corp Investor Fund (Symbol - VWEHX) - \$1.3 million; (4) Vanguard GNMA Investor Fund (Symbol - VFIIX) - \$0.8 million and (5) Vanguard Short Term Investment Grade Investor (Symbol - VGSTX) - \$0.8 million. The cost basis of

these above investments was approximately \$5.1 million and they were all purchased on October 12, 2011. The amortized cost basis and fair value of each major type of marketable security was approximately the same at December 31, 2011.

The amount recorded as unrealized gain (loss), realized capital gain or loss, interest and dividends received, as reported to us from the financial institutions in which they were reinvested, and that we reported under the caption of investment income in the accompanying consolidated statement of operations, totaled approximately \$0.2 million and \$0.1 million for the three months ended March 31, 2012 and 2011, respectively. We elected the fair value option permitted under FASB ASC 825 to report the unrealized gains and losses from our marketable securities in our accompanying consolidated statement of operations instead of other comprehensive income and loss.

Income Taxes

Income taxes are accounted for under the asset and liability method in accordance with United States generally accepted accounting principles. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial carrying amounts of existing assets and liabilities and their respective tax bases as well as operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance to the extent that the recoverability of the asset is unlikely to be recognized. We did not provide any current or deferred income tax provision or benefit for any periods presented to date because we have continued to experience a net operating loss since inception and therefore provide a 100% valuation allowance against all of our deferred tax assets (see Note 5 Income Taxes).

The Company adopted the ASC accounting pronouncement *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.

Research, Development and Related Expenses

These costs from our Technology business segment are charged to operations in the year incurred and are shown on a separate line on the accompanying Consolidated Statement of Operations. Research and development and related expenses totaled approximately \$0.5 million for the three months ended March 31, 2012 and 2011.

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 operating 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 mentioned above and defined by the FASB accounting pronouncement, *Disclosures about Segments of an Enterprise and Related Information*. The two reporting business segments are our technology business and our consulting services business.

Recent Accounting Pronouncements

Recently Adopted

In May 2011, the FASB issued ASU 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (IFRS). ASU 2011-04 clarifies some existing concepts, eliminates wording differences between U.S. GAAP and IFRS, and in some limited cases, changes some principles to achieve convergence between U.S. GAAP and IFRS.

ASU 2011-04 results in a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between U.S. GAAP and IFRS. ASU 2011-04 also expands the disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. ASU 2011-04 is effective for the Company beginning after December 15, 2011.

In September 2011, the FASB has issued Accounting Standards Update (ASU) No. 2011-08, Intangibles Goodwill and Other (Topic 350): Testing Goodwill for Impairment. ASU 2011-08 is intended to simplify how entities, both public and nonpublic, test goodwill and other intangible assets such as patents for impairment. ASU 2011-08 permits an entity to first assess qualitative factors to determine whether it is "more likely than not" that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350, Intangibles-Goodwill and Other. The more-likely-than-not threshold is defined as having a likelihood of more than 50%. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011.

Note 2. Net Loss Per Share

Basic net loss per share is computed using the weighted-average number of common shares outstanding during the period except that it does not include unvested common shares subject to repurchase or cancellation. Diluted net income per share is computed using the weighted-average number of common shares and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options, warrants, restricted shares, and unvested common shares subject to repurchase or cancellation. The dilutive effect of outstanding stock options, restricted shares, restricted stock units, and warrants is not reflected in diluted earnings per share because we incurred net losses for the three months ended March 31, 2012 and 2011 and the effect of including these potential common shares in the diluted earnings per share calculations would be anti-dilutive and are therefore not included in the calculations.

The following table sets forth the computation of the basic and diluted loss per share:

	2012	2011
Numerator:		
Net loss	\$ (796,534)	\$ (1,638,739)
Denominator:		
Weighted-average common shares outstanding	12,432,282	12,353,251
Basic and diluted net loss per share	\$ (0.06)	\$ (0.13)

Note 3. Accounts Receivable Project Revenue and Project Costs

ENEC and FANR Projects

The total accounts receivable from the ENEC and FANR contracts was approximately \$0.9 million and \$0.3 million at March 31, 2012 and December 31, 2011, respectively. These amounts represent approximately 100 percent and 99 percent of the total accounts receivable reported of approximately \$0.9 million and \$0.3 million at March 31, 2012 and December 31, 2011, respectively.

Total unbilled accounts receivable included in the accompanying consolidated balance sheets and reported in accounts receivable of approximately \$0.4 and \$0.2 million at March 31, 2012 and December 31, 2011, respectively, is for work that was billed to our clients in April 2012 and January 2012, respectively. Foreign currency transaction exchange gains (losses) were approximately \$6,000 and \$(3,000) for the three months ended March 31, 2012 and 2011, respectively, which is reported in the caption other income and expenses on the accompanying consolidated statement of operations. Translation gains and losses for the three months ended March 31, 2012 and 2011 were not significant.

Travel costs and other reimbursable costs under these contracts are reported in the accompanying statement of operations as both revenue and cost of consulting services provided, and totaled approximately \$0.1 million for the three months ended March 31, 2012 and 2011. The total travel and other reimbursable expenses that have not been reimbursed to us and are included in total accounts receivable reported above from our consulting contracts were approximately \$0.1 million at March 31, 2012 and December 31, 2011.

We expect to continue to provide strategic advisory services to Abu Dhabi during the five-year term of these consulting agreements, with the agreements providing for automatic renewals for one year periods, and also expect the variation of revenue we earn from these contracts to continue. Under these agreements, revenue will be recognized on a time and expense basis. We periodically discuss our consulting work with ENEC and FANR, who will review the work we perform, and our reimbursable travel expenses, and accept our monthly invoicing for services and reimbursable expenses.

Note 4. Accounts Payable and Accrued Liabilities

Accounts payable and accrued expenses consisted of the following:

	2012	2011
Trade payables	\$ 132,886	\$ 148,194
Accrued expenses and other	388,315	587,533
Accrued payroll liabilities	891,110	944,706
Total	\$ 1,412,311	\$ 1,680,433

Note 5. Income Taxes

Our tax provision is determined using an estimate of our annual effective tax rate adjusted for discrete items, if any, that are taken into account in the relevant period. The 2011 and 2010 annual effective tax rate is estimated to be at a combined 40% for the U.S. federal and states statutory tax rate. We review tax uncertainties in light of changing facts and circumstances and adjust them accordingly. As of March 31, 2012 and December 31, 2011, there were no tax contingencies recorded.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities recognized for financial reporting, and the amounts recognized for income tax purposes. The significant components of deferred tax assets (at a 40% effective tax rate) as of March 31, 2012 and December 31, 2011 respectively, are as follows:

Deferred Tax Assets	Total Amount		Deferred Tax Asset Amount	
	2012	2011	2012	2011
Capitalized start-up costs	\$ 5,717,739	\$ 5,589,739	\$ 2,287,096	\$ 2,235,896
Stock-based compensation	21,304,044	21,070,686	8,521,618	8,428,274
Net operating loss carry-forward	31,165,674	30,463,782	12,466,270	12,185,513
Less: valuation allowance	(58,187,457)	(57,124,207)	(23,274,984)	(22,849,683)
	\$ -	\$ -	\$ -	\$ -

We have a net operating loss carry-forward for federal and state tax purposes of approximately \$31.1 million at March 31, 2012 that is available to offset future taxable income, that will begin to expire in the year 2021. For financial reporting purposes, no deferred tax asset was recognized because at March 31, 2012 and December 31, 2011, substantially all of the net operating losses are presently expected to expire unused. As a result, the amount of the

deferred tax assets considered realizable was reduced 100% by a valuation allowance. The change in the valuation allowance was approximately \$0.4 million and \$0.6 million for the three months ended March 31, 2012 and 2011, respectively. Many of the Company's operating expenses in its 2007 and 2006 tax years were classified under the Internal Revenue Code as capitalized Startup Costs, which did not begin to be deductible for tax purposes until 2008.

The Company files a consolidated tax return with its subsidiaries.

Note 6. Commitments and Contingencies

Employment Agreements

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

Operating Leases

We entered into an agreement to lease new office space under the terms of a sublease with a term of 65 months commencing August 1, 2008. Under the terms of the sublease, the lease payments are inclusive of pass-through costs. We are not charged additional amounts for real estate taxes and standard operating expenses. We paid the security deposit related to this sublease agreement in the amount of approximately \$120,000. We pay monthly rental fees in the amount of approximately \$43,000 in accordance with the sublease agreement plus parking fees, and rent payments increase by a factor of 4% each year thereafter. The monthly straight-line rental expense from August 1, 2008 to December 1, 2013 is approximately \$45,000. As a result of the straight-line rent calculation generated by the one free rent period and rent escalation, we have recorded in accrued liabilities a deferred rent credit of approximately \$66,000 and \$70,000 at March 31, 2012 and December 31, 2011, respectively. Total rent expense was approximately \$0.2 million for the three months ended March 31, 2012 and 2011.

Estimated annual rental payments under our operating leases are as follows:

	Total
Year ending - December 31, 2012	\$ 586,136
Year ending - December 31, 2013	609,016
Total minimum lease payments	\$ 1,195,152

Note 7. Research and Development Costs

Research and Development Costs

Research and development costs, included in the accompanying consolidated statement of operations amounted to approximately \$0.5 million for the three months ended March 31, 2012 and 2011, respectively. Total cumulative research and development expenses amounted to approximately \$12.2 million from January 8, 1992 (our date of inception) to March 31, 2012.

Research Agreements

In October 2009 we entered into an umbrella agreement, or the SOSNY Agreement, with Russian Limited Liability Research and Development Company, or SOSNY, to manage certain of our research and development activities in Russia for Russian designed VVER-1000 reactors. Specific work was carried out under individual task orders and issued under the SOSNY Agreement. The scope, deliverables, and costs were agreed to between the parties for each individual task order. On June 17, 2010, Thorium Power Inc. (TPI, wholly-owned subsidiary of Lightbridge Corporation) entered into Task Order No. 1 with SOSNY whereby TPI was obligated to pay to SOSNY a total of approximately \$234,000 for certain R&D work. As of March 31, 2012, all of the work under Task Order No. 1 was completed by SOSNY and its subcontractors, with all deliverables submitted to Lightbridge, and the entire amount of

\$234,000 was paid to SOSNY. As of the date hereof, the parties have fulfilled in full their respective obligations under Task Order No. 1.

In addition to the above agreements, there are consulting agreements with several consultants working on various projects for us, which total approximately \$10,000 per month.

Note 8. Stockholders Equity

At March 31, 2012 there are 500,000,000 shares of authorized common stock. Total common stock outstanding at March 31, 2012 and December 31, 2011 was 12,464,766 and 12,427,220 shares, respectively. At March 31, 2012, there were 977 shares reserved for future issuance, 1,034,996 stock warrants, 1,668,898 stock options outstanding and 99,595 total unvested shares of restricted stock (of which 35,594 shares of unvested restricted stock were issued but not vested and therefore not considered in our total outstanding shares on the accompanying balance sheet), all totaling 15,269,232 of total stock and stock equivalents outstanding at March 31, 2012.

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, 2012 and December 31, 2011 were 1,668,898 and 1,674,065, respectively of which 1,466,638 and 1,345,541 of these options were vested at March 31, 2012 and December 31, 2011, respectively. Stock option expense was approximately \$0.2 million and approximately \$0.3 million for the three months ended March 31, 2012 and 2011, respectively.

Stock option transactions to the employees, directors, advisory board members and consultants are summarized as follows for the three months ended March 31, 2012 and the year ended December 31, 2011:

	2012	2011
Beginning of the period	1,674,065	1,772,348
Granted	--	87,887
Exercised	--	--
Forfeited	(167)	(2,833)
Expired	(5,000)	(183,337)
End of period	1,668,898	1,674,065
Options exercisable	1,466,638	1,345,541

The above table includes options issued and outstanding as of March 31, 2012 as follows:

- i) A total of 290,203 non-qualified 5-10 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 1,161,736 non-qualified 8-10 year options have been issued, and are outstanding, to our directors, officers and employees at exercise prices of \$5.42 to \$23.85 per share. From this total, 665,088 options are outstanding to the Chief Executive Officer who is also a director, with remaining contractual lives of 3.9 - 9.0 years. All other options issued to directors, officers and employees have a remaining contractual life ranging from 3.7 years to 9.0 years.
- iii) A total of 216,959 non-qualified 5-10 year options have been issued, and are outstanding, to our consultants at exercise prices of \$6.30 to \$19.20 per share.

The following table provides certain information with respect to the above-referenced stock options that are outstanding and exercisable at March 31, 2012:

Exercise Prices	Stock Options Outstanding		Stock Options Vested	
	Weighted Average Remaining Contractual Life - Years	Number of Awards	Number of Awards	Weighted Average Exercise Price
\$4.50 - \$8.70	6.82	871,028	668,768	\$ 6.38
\$9.00 - \$12.90	5.67	130,673	130,673	\$ 10.45
\$13.50-\$18.90	4.03	360,529	360,529	\$ 14.17
\$19.20-\$23.85	3.40	306,668	306,668	\$ 22.84
Total	5.50	1,668,898	1,466,638	\$ 12.10

The following table provides certain information with respect to the above-referenced stock options that are outstanding and exercisable at December 31, 2011:

Exercise Prices	Stock Options Outstanding		Stock Options Vested	
	Weighted Average Remaining Contractual Life - Years	Number of Awards	Number of Awards	Weighted Average Exercise Price
\$4.50 - \$8.70	7.07	871,195	542,671	\$ 6.48
\$9.00 - \$12.90	5.08	152,340	152,340	\$ 10.51
\$13.50-\$18.90	4.26	343,862	343,862	\$ 14.14
\$19.20-\$23.85	3.65	306,668	306,668	\$ 22.84
Total	5.69	1,674,065	1,345,541	\$ 12.62

The aggregate intrinsic value of stock options outstanding at March 31, 2012 and December 31, 2011 was \$0, all of which related to vested awards. Intrinsic value is calculated based on the difference between the exercise price of the underlying awards and the quoted price of our common stock as of the reporting date (\$3.20 and \$2.04 per share as of the close on March 31, 2012 and December 31, 2011, respectively).

Restricted Stock Award Activity

The following summarizes our restricted stock unit activity:

	Number of Units	Weighted Average Grant Date Fair Value
Total awards outstanding at December 31, 2011	120,021	\$ 6.14
Units granted		
Units vested	(20,426)	\$ 7.61
Units Cancelled/Forfeited		
Total awards outstanding at March 31, 2012	99,595	\$ 5.84
Total units vested	-	
Total units non-vested	99,595	\$ 5.84
Total units outstanding at March 31, 2012	99,595	\$ 5.84

Scheduled vesting for outstanding restricted stock units at March 31, 2012 is as follows:

	Year Ended December 31,					Total
	2012	2013	2014	2015	Thereafter	
Scheduled vesting restricted stock units	56,563	28,739	14,293	--	--	99,595

As of March 31, 2012 and December 31, 2011, there was \$0.3 million and \$0.4 million of net unrecognized compensation cost related to unvested restricted stock-based compensation arrangements, respectively. This compensation is recognized on a straight line basis resulting in approximately \$0.2 million of the compensation expected to be expensed in the next twelve months, and the total unrecognized has a weighted average recognition period of 1.38 years.

We use the historical volatility of our stock price since January 5, 2006, the date we announced that we were becoming a public company, to estimate the future volatility of our stock. At this time we do not believe that there is a better objective method to predict the future volatility of our stock. We estimate the term of our option awards based on the full term of the award. To date we have had very few exercises of our options, and those exercises have occurred just before the expiration date of the awards. Since the strike price of most of our outstanding awards is greater than the price of our stock, generally awards have expired at the end of the term. We estimate the effect of future forfeitures of our grants based on an analysis of historical forfeitures of unvested grants, as we have no better objective basis for that estimate.

The expense that we have recognized related to our grants of options and restricted stock includes the estimate for future pre-vest forfeitures. We will adjust the actual expense recognized as future pre-vest forfeitures occur. We have estimated that 1.5% and 3.3% of our option and restricted stock grants respectively, will be forfeited prior to vesting.

There were no stock options granted for the three months ended March 31, 2012. Assumptions used in the Black Scholes option-pricing model for the year ended December 31, 2011 were as follows:

12/31/2011

Average risk-free interest rate	3.35%
Average expected life- years	10
Expected volatility	94.32%
Expected dividends	0%

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

During the three months ended March 31, 2012 and 2011, approximately \$0.4 million was recorded as total stock-based compensation for each period. Stock-based compensation expense is recorded under the caption general and administrative expenses in the accompanying consolidated statement of operations.

Common Stock reserved for Future Issuance

Common stock reserved for future issuance at March 31, 2012 consists of:

	Shares of Common Stock	Amount
Stock-based compensation	977	\$ 3,125

Note 9. Business Segment Results

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

The 2011 Segment Profit-Pre Tax disclosure below has been restated to reflect the change in the business segment classification of certain expenses as discussed in Note 1 above. Expenses reported in the Corporate and Eliminations business segment, which includes various general corporate overhead expenses are now being allocated equally to the Consulting and Technology business segments.

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, 2012 and 2011.

	Consulting		Technology		Corporate and Eliminations		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Revenue	1,257,521	1,578,094	0	0	0	0	1,257,521	1,578,094
Segment Profit								
Tax	232,086	306,312	(496,708)	(499,640)	(531,912)	(1,445,411)	(796,534)	(1,638,739)
Total Assets	925,254	1,298,658	565,104	399,139	8,314,517	13,027,722	9,804,875	14,725,519
Property Additions	0	0	0	0	0	1,540	0	1,540
Interest Expense	0	0	0	0	0	0	0	0
Depreciation	0	0	0	0	6,166	7,297	6,166	7,297

Note 10. Subsequent Events

The Company had 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 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, 2012 up through the date these financial statements were issued. During this period the Company did not have any material recognizable subsequent events.

FORWARD-LOOKING STATEMENTS

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

- our ability to attract new customers,
- our ability to employ and retain qualified employees and consultants that have experience in the Nuclear Industry,
- competition and competitive factors in the markets in which we compete,
- general economic and business conditions in the local economies in which we regularly conduct business, which can affect demand for the Company’s services,
- changes in laws, rules and regulations governing our business,
- development and utilization of our intellectual property,
- potential and contingent liabilities,
- the risks identified in the “Risk Factors” section of this Report, and
- other risks identified in this Report.

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

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

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

- *Our Business* a general overview of our two business segments, the material opportunities and challenges of our business;
- *Critical Accounting Policies and Estimates* a discussion of accounting policies that require critical judgments and estimates;
- *Operations Review* an analysis of our Company's consolidated results of operations for the two periods 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 cash flows; an overview of financial position.

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.

Our Business

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

Our Nuclear Fuel Technology Business Segment

We are developing innovative, proprietary nuclear fuel designs that can significantly enhance the nuclear power industry's economics and increase power output by: 1) Extending the fuel cycle length to 24 months while simultaneously providing an increase in power output of up to 17% in existing pressurized water reactors (including Westinghouse 4-loop reactors, which are currently limited to an 18-month fuel cycle); 2) Enabling increased reactor power output (up to 30% increase) without changing the core size in new build PWRs; and 3) Addressing the back-end of fuel cycle concerns related to the volume of used fuel per kilowatt-hour as well as proliferation of weapons-usable materials. For uprates up to 10%, only relatively minor reactor system modifications would be required.

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

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

Consulting Business Segment

We are primarily engaged in the business of assisting commercial and governmental entities with developing and expanding their nuclear industry capabilities and infrastructure. We provide integrated strategic advice across a range of expertise areas including, for example, regulatory development, nuclear reactor site selection, procurement and deployment, reactor and fuel technology, international relations and regulatory affairs. Our consulting services are expert and relationship based, with particular emphasis on key decision makers in senior positions within governments or companies, as well as focus on overall management of nuclear energy programs. To date, substantially all of our revenues are derived from our consulting and strategic advisory services business segment, which primarily provides nuclear consulting services to entities within the United Arab Emirates, our first significant consulting and strategic advisory client. In April 2010 and December 2010, we began to provide consulting services in additional countries, including the member states of the Gulf Cooperation Council (The GCC, a political and economic union that comprises the Gulf states of the Kingdom of Bahrain, State of Kuwait, Sultanate of Oman, State of Qatar, Kingdom of Saudi Arabia and United Arab Emirates) and Kuwait. We have also provided nuclear safety consulting advice to U.S. nuclear utilities.

Factors Affecting Our Financial Performance

Economics of Nuclear Power

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

Consulting and Strategic Advisory Services

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

CURRENT STATUS

Key Fuel Developments over the Past Quarter

The Company has made considerable progress against its technology development roadmap in the 1st quarter of 2012, including the following developments:

- A senior nuclear fuel manager from Southern Company joined Lightbridge's Nuclear Utility Fuel Advisory Board (NUFAB). The other NUFAB members include senior fuel managers from Exelon, Duke Energy, and Dominion. The four nuclear operators on the NUFAB represent nearly 40% of the total nuclear generating capacity in the United States.
- Secured approvals from Rosatom for the proposed collaboration with Rosatom's entities and began contract negotiations with the Joint Stock Company "A.A. Bochvar High-technology Research Institute of Inorganic Materials" (Bochvar Institute), a subsidiary company of the Russian fuel fabricator TVEL, relating to fabrication of Lightbridge-designed metallic fuel samples for irradiation testing in the MIR research reactor in Dimitrovgrad, Russia and the Advanced Test Reactor (ATR) at Idaho National Laboratory in the United States.
- Continued discussions with Dimitrovgrad test facility for preliminary planning of loop irradiations of Lightbridge-designed metallic fuel samples in the MIR research reactor. These irradiations will be performed under prototypic PWR operating conditions and will provide data necessary for regulatory licensing of the Lightbridge-designed lead test assemblies for demonstration in a commercial PWR. Irradiated samples from this loop irradiation program at MIR will also be used for additional out-of-reactor tests to demonstrate the metallic fuel's behavior during severe accident scenarios and provide quantitative verification of the safety benefits of the Lightbridge-designed fuel. The loop irradiation program is expected to begin in 2013.

- Continued experiment planning and design for irradiation testing of our metallic fuel samples in the Advanced Test Reactor (ATR) at Idaho National Laboratory. In the 1st quarter of 2012, the team was informed that due to changes in the ATR availability, the pressurized loop we were planning to use for our irradiation experiment would not be available for several years. After consultation with the team members from INL and Texas A&M University, the decision was made to continue with the originally proposed capsule irradiation experiment as this would allow us to generate the data sooner. Capsule irradiation design has commenced and is expected to be completed this calendar year. The current capsule experiment design envisions irradiating Lightbridge-designed metallic fuel samples under specific experimental conditions (non-prototypic) to investigate certain fuel performance phenomena. We believe these changes in the ATR irradiation program will have no adverse impact on our fuel development and demonstration program as the loop irradiation testing program in the MIR research reactor will demonstrate the fuel's performance under prototypic PWR conditions.
- Continued negotiations with a US fuel fabrication partner relating to metal fuel fabrication process development and demonstration work in the United States. We are hopeful for negotiations to conclude in 2012.
- In Q4 of 2011, we submitted a technical article for publication in a peer-reviewed journal. In Q1 of 2012, we were notified by the publication that the peer review process had been completed and that the article had been accepted for publication no later than March 2013. We are seeking a near-term publication date but the final decision is out of our hands. We will provide an update once we know the specific publication date.
- Granted a Eurasian patent which covers our thorium-based seed and blanket fuel assembly design for Russian-type VVER- 1000 reactors. Countries that are signatories to the Eurasian Patent Convention include Russia, Kazakhstan, Belarus, Azerbaijan, Armenia, Turkmenistan, Tajikistan, Kyrgyz Republic, and Republic of Moldova. Of these countries, Russia and Kazakhstan are of key importance to Lightbridge and will be our top priority as far as patent maintenance is concerned. The new patent extends patent protection for our thorium-based seed and blanket fuel assembly design to 2027, which is well beyond the 2014-2015 when the original patents covering that fuel design are set to expire.
- Granted a U.S. patent covering a locking mechanism for our seed-and-blanket fuel assembly (US Patent No. 8,116,423) that provides protection for the locking mechanism invention in the United States from its issuance until December 2028.

Research and Development Project Schedule

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

- complete demonstration of full-scale fabrication process for our metallic fuel rods in 2013
- perform in-reactor and out-of-reactor experiments in 2013-2016
- develop analytical models in 2012-2016 for our metallic fuel technology required for regulatory licensing
- begin lead test assembly (LTA) operation in a full-size commercial light water reactor, which involves testing a limited number of our full-scale fuel assemblies in the core of a commercial nuclear power plant over three 18-month cycles, by the end of 2017

Accordingly, based on our current estimated schedule, final qualification of our fuel for 10-17% power uprates in a commercial reactor is expected in 2021 (at the end of three 18-month cycles of LTA operation). We expect final demonstration of the all-metal fuel design for power uprates of up to 30% in new-build plants and thorium-based seed and blanket fuel assembly design to occur approximately 2-3 years thereafter.

CHALLENGES

- Collaboration with a fuel fabricator that can fabricate the LTAs and a nuclear utility that is willing to accept the LTAs is required for LTA demonstration in a commercial reactor. In the US, the fabricator and the utility

will be primarily responsible for securing necessary regulatory licensing approvals for the LTA operation. To this end, in November 2011, we established a Nuclear Utility Fuel Advisory Board (NUFAB) to further strengthen dialogue with global nuclear utilities. Separately, we are also pursuing discussions with major fuel fabricators relating to collaboration on our nuclear fuel designs.

- There is a lack of publicly available experimental data on our metallic fuel. As a result, we will need to conduct various irradiation experiments to confirm fuel performance under normal and off-normal events. Loop irradiation in a test reactor environment prototypic of PWR operating conditions and other experiments on unirradiated and irradiated metallic fuel samples will be essential to demonstrate the performance and advantages of our metallic fuel. We are currently planning a loop irradiation experiment in the MIR research reactor as part of this effort.
- Existing analytical models may be inadequate. New analytical models, capable of accurately predicting the behavior of our metallic fuel during normal operation and off-normal events may be required. Experimental data measured from our planned irradiation demonstrations will help to identify areas where new analytical models may be required.
- Demonstration of a fabrication process for full-length (12-14 feet) metallic fuel rods is required. Past operating experience with similar metallic fuel composition involved fabrication of metallic fuel rods up to 3 feet in length. We are in discussions with potential fuel fabrication partners relating to this demonstration effort.

Critical Accounting Policies and Estimates

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

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

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

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

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

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

The stock-based compensation expense incurred by Lightbridge in connection with its employees is based on the employee model of ASC 718. Under ASC 718 employee is defined as “An individual over whom the grantor of a share-based compensation award exercises or has the right to exercise sufficient control to establish an employer-employee relationship based on common law as illustrated in case law and currently under U.S. tax regulations.” Our advisory board members and consultants do not meet the employer-employee relationship as defined by the IRS and therefore are accounted for under ASC 505-50. Under these requirements, stock-based compensation expense for non-employees is based on the fair value of the award on the measurement date which is the earlier of the date at which a commitment for performance by the counterparty to earn the equity instruments is reached (a performance commitment), or the date at which the counterparty’s performance is complete. For all grants made, we recognize compensation cost under the straight-line method.

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

- the volatility of our stock price;
- the expected life of the option;
- risk free interest rates; and
- expected dividend yield.

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

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

Income Taxes

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

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

Revenue Recognition from Consulting Contracts

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

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

The revenue recognition from two other government contracts entered into April 2010 and December 2010 were based on the completion and acceptance of contractual milestones. All contractual milestones were completed in 2011.

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 \$565,000 and \$537,000 as of March 31, 2012 and December 31, 2011, 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. Refer to Note 6 to the Notes to Consolidated Financial Statements.

Recent Accounting Standards and Pronouncements

Refer to Note 1 of Notes to Consolidated Financial Statements for a discussion of recent accounting standards and pronouncements.

Operations Review

Business Segments and Periods Presented

We have provided a discussion of our results of operations on a consolidated basis and have also provided certain detailed segment information for each of our business segments below for the three months ended March 31, 2012 and 2011, 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, 2012 AND 2011

	Consulting		Technology		Corporate and Eliminations		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Revenue	1,257,521	1,578,094	0	0	0	0	1,257,521	1,578,094
Segment Profit								
Tax Pre	232,086	306,312	(496,708)	(499,640)	(531,912)	(1,445,411)	(796,534)	(1,638,739)
Total Assets	925,254	1,298,658	565,104	399,139	8,314,517	13,027,722	9,804,875	14,725,519
Property Additions	0	0	0	0	0	1,540	0	1,540
Interest Expense	0	0	0	0	0	0	0	0

Depreciation	0	0	0	0	6,166	7,297	6,166	7,297
				25				

Technology Business

Over the next 12 to 15 months, we expect to incur approximately \$5-6 million in research and development expenses related to the development of our proprietary nuclear fuel designs, contingent upon execution of collaborative research and development agreements with Rosatom's subsidiary companies and a US fuel fabrication partner. We spent approximately \$0.5 million for research and development during the three months ended March 31, 2012 and 2011.

Over the next 2-3 years, we expect that our research and development activities will increase and will be primarily focused on testing and demonstration of our metallic fuel technology for Western-type pressurized water reactors. The main objective of this research and development phase is to prepare for full-scale demonstration of our fuel technology in an operating commercial PWR. As discussed above, we believe the testing and demonstration work on our all-uranium seed-and-blanket fuel technology will also benefit and advance our thorium-based seed-and-blanket fuel assembly design due to the similarities and synergies between the two fuel assembly designs.

Consulting Services Business

At the present time, substantially all of our revenue for the three months ended March 31, 2012 and 2011, from our consulting and strategic advisory services business segment is derived by offering services to governments outside of the U.S. planning to create or expand electricity generation capabilities using nuclear power plants. The fee type and structure that we offer for each client engagement is dependent on a number of variables, including the complexity of the services, the level of the opportunity for us to improve the client's electricity generation capabilities using nuclear power plants, and other factors.

Consolidated Results of Operations

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

Consolidated Statements of Income Data:

Revenues

Costs and expenses:

Cost of revenues

Gross Profit

Research and development

General and administrative

Total costs and expenses

Loss from operations

Interest income and other, net

Loss before income taxes

Provision for income taxes

Net loss

Revenue

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

	Three Months Ended March 31,	
	2012	2011
Consulting Segment Revenues:		
ENEC and FANR (UAE)	\$ 1.3	\$ 1.5
Other (GCC and other countries)	0.0	0.1
Total	1.3	1.6
Technology Segment Revenues	0.0	0.0
Total Revenues	\$ 1.3	\$ 1.6

The decrease in our revenues from 2010 to 2011 of \$0.3 million resulted from the decrease in the work performed for our ENEC and FANR, projects. Our consulting projects with ENEC and FANR are being performed pursuant to ongoing requests to work on specific projects on a time and expense basis as needed. The future revenue to be earned and recognized under both the ENEC and FANR agreements will depend upon agreed upon work plans which can differ from the revenue amounts initially planned to be earned under these agreements.

We believe that in 2012 we may obtain contracts from other governments interested in deploying nuclear power in their countries, based on our commitment to providing consulting services that are relevant and objective in exploring the use of nuclear power, which in turn could increase our future consulting revenues.

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

Costs and Expenses

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

	Three Months Ended March 31,	
	2012	2011
Consulting	\$ 0.8	\$ 1.1
Technology	0.0	0.0
Total	\$ 0.8	\$ 1.1

Cost of Services Provided

These expenses related to the consulting, professional, administrative and other support costs allocated to our consulting projects, which were incurred to perform and support the work done for our consulting projects with our ENEC and FANR contracts. The billing rates to us from our consultants who provide services under our consulting contracts predominantly remained the same in 2012 and 2011. The decrease in the consulting costs of \$0.3 million was primarily a result of the decrease in the work we performed for our consulting projects, as mentioned above in the revenue section.

If consulting revenues increase in future periods, we expect cost of services provided will increase in dollar amount and may increase as a percentage of revenues.

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

Research and Development

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

	Three Months Ended March 31,	
	2012	2011
Research and development expenses	\$ 0.5	\$ 0.5

Research and development expenses consist mostly of compensation and related costs for personnel responsible for the research and development of our fuel. The total research and development expenses were primarily the same for both periods. Most of our research and development activities are conducted in Russia. We expense research and development costs as they are incurred.

Research and development expenses will increase in dollar amount and may increase as a percentage of revenues in future periods because we expect to continue to invest in the development of our nuclear fuel products.

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

General and Administrative Expenses

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

	Three Months Ended March 31,	
	2012	2011
General and administrative expenses	\$ 1.0	\$ 1.7

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 \$0.7 million was mostly related to the decrease in payroll expenses and payroll benefits of approximately \$0.1 million; reduction in consulting expenses of \$0.2 million; reduction in legal and professional fees of \$0.2 million and the remainder was due to general cost cutting measures.

Interest Income and Other, Net

Interest income and other income and expenses, net, remained primarily the same for the three month periods ended March 31, 2012 as compared to March 31, 2011.

Provision for Income Taxes

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

	Three Months Ended March 31,	
	2012	2011

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Provision for income taxes		\$	0.0	\$	0.0
	28				

We incurred a net loss for both 2012 and 2011 and took a 100% valuation allowance against all deferred tax assets. Therefore we did not have a provision for taxes for both 2012 and 2011.

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

Liquidity and Capital Resources

As of March 31, 2012, we had total cash and cash equivalents and restricted cash of approximately \$2.5 million and marketable securities of \$5.3 million, both totaling \$7.8 million. The following table provides detailed information about our net cash flow for all financial statement periods presented in this Report (dollars in millions):

Cash Flow

	2012	March 31,	2011
Net cash provided by (used in) operating activities	\$ (1.5)	\$	(1.3)
Net cash provided by (used in) investing activities	\$ (0.1)	\$	1.9
Net cash provided by (used in) financing activities	\$ 0.0	\$	0.0
Net cash inflow (outflow)	\$ (1.6)	\$	0.6

Operating Activities

Net cash used in our operating activities increased by approximately \$0.2 million for the three months ended March 31, 2012 as compared to 2011. This increase in cash used in operations was mostly due to an increase in our accounts receivable balance of approximately \$0.7 million and a decrease in our deferred revenue liability of approximately \$0.8 million and a decrease in our accounts payable and accrued expenses liability of approximately \$0.2 million. These increases in cash used in operations were offset by decrease in our prepaid expenses and other assets of approximately \$0.7 million and a decrease in our general and administrative expenses (mentioned above) resulting in a decrease in our net loss of approximately \$0.8 million. While we continue to receive payments on all our outstanding accounts receivables, a decrease in cash receipts from our future billings may continue, which can impact cash provided by operating activities in future periods.

Investing Activities

Net cash used in our investing activities for the three months ended March 31, 2012 as compared to net cash provided by our investing activities for the three months ended March 31, 2011, increased by approximately \$2.0 million. Such increase in funds used in our investing activities was due to the decrease in the proceeds from the sale of our marketable securities to fund our operating activities of \$2.0 million. We also used approximately the same amount of cash for both above periods to file for new patent applications. These patent 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 research and development work we plan to perform on our all-metal fuel design.

Financing Activities

Net cash used in our financing activities for the three months ended March 31, 2012, as compared to the three months ended March 31, 2011 remained primarily the same for both periods.

We anticipate entering into other consulting and technology agreements with our existing and new potential clients that will generate additional revenues for us in 2012 and beyond. If we do not enter into any new agreements, we

anticipate that our cash position will meet our working capital needs to sustain our current operations at their current operating levels until 2013. In support of our business plan regarding our research and development activities for developing our fuel designs, we will need to raise additional capital in 2012 by way of an offering of equity securities, an offering of debt securities, a financing through a bank, or a strategic alliance with another entity. We may also need to raise additional capital sooner if the consulting business segment becomes non-sustaining. Currently, we are working on revenue opportunities with the overall goal of increasing our profitability and cash flow.

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. Our total current average operating expenses, excluding the approximately \$5-6 million of outside consulting research and development expenses we expect to incur over the next 12-15 months, is approximately \$1.0 million per month.

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 4. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

As required by Rule 13a-15 under the Exchange Act, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as of the end of the period covered by this report on Form 10-Q. This evaluation was carried out under the supervision and with the participation of our management, including our President and Chief Executive Officer, and our Chief Financial Officer. Based upon that evaluation, management concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that it files or submits under the Exchange Act is accumulated and communicated to management (including the chief executive officer and chief financial officer) to allow timely decisions regarding required disclosure and that our disclosure controls and procedures are effective to give reasonable assurance that the information required to be disclosed by us in reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC.

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

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including the Company's Chief Executive and Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure.

Internal Controls Over Financial Reporting

Section 404 of the Sarbanes-Oxley Act of 2002 requires that management document and test the Company's internal control over financial reporting and include in this Quarterly Report on Form 10-Q a report on management's assessment of the effectiveness of our internal control over financial reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based upon the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our management concluded that our internal control over financial reporting is effective, as of March 31, 2012, and was effective during the entire quarter ended March 31, 2012.

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 affect on our business, financial condition or operating results.

ITEM 1A. RISK FACTORS

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 impacted 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. Even with the net proceeds of our July 2010 financing, we will likely require additional capital in the near future. Due to the above listed factors, we cannot be certain that additional funding will be available on terms that are acceptable to us, or at all.

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

The major nuclear accident at the Fukushima nuclear power plant in Japan following the massive tsunami and strong earthquake that occurred on March 11, 2011, increased public opposition to nuclear power in some countries, resulting in a slowdown in, or a complete halt to, new construction of nuclear power plants and an early shut down of existing power plants in select countries.

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

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

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

Our success depends upon certain members of our senior management, including Seth Grae, Chief Executive Officer of the Company. Mr. Grae's knowledge of the nuclear power industry, his network of key contacts within that industry

and in governments and, in particular, his expertise in the potential markets for the Company's technologies, is critical to the implementation of our business model. Mr. Grae is likely to be a significant factor in our future growth and success. The loss of services by Mr. Grae would likely have a material adverse effect on our Company.

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

We rely heavily on our contractor staff and management team. Our success depends, in large part, on our ability to hire, retain, develop and motivate highly skilled professionals. Competition for these skilled professionals is intense and our inability to hire, retain and motivate adequate numbers of consultants and managers could have a serious effect on 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 serious 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 in the United States and other countries. Nuclear power faces strong opposition from certain competitive energy sources, individuals and organizations. A major nuclear accident that occurred at the Fukushima nuclear power plant in Japan that is believed to have been caused by a major tsunami wave produced by a strong earthquake that hit Japan on March 11, 2011, could have a significant adverse effect on public opinion about nuclear power and the favorable regulatory climate needed to introduce new nuclear technologies. Strong public opposition could hinder the construction of new nuclear power plants and lead to early shut-down of the existing nuclear power plants. Furthermore, nuclear fuel fabrication and the use of new nuclear fuels in reactors must be licensed by the U.S. Nuclear Regulatory Commission and equivalent governmental authorities around the world. In many countries, the licensing process includes public hearings in which opponents of the use of nuclear power might be able to cause the issuance of required licenses to be delayed or denied. Following the Fukushima nuclear accident, some countries have announced their plans to delay, scale down or cancel deployment of new nuclear power plants while others, such as Germany, have decided to completely phase out nuclear power over the coming years.

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

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

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

Risks Associated with our Fuel Technology Business

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 be fabricated, tested and licensed before they can be offered for sale in commercial markets. 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 an existing commercial reactor. Until we are able to successfully demonstrate operation of our fuel designs in an actual commercial reactor, we will not be certain about the ability of the fuel we design to perform as expected. In addition, there is also a risk that suitable testing facilities may not be available to us on a timely basis, which could cause

development program schedule delays.

We will also have to enter into a commercial arrangement with a fuel fabricator to actually produce fuel using our designs. If our fuel designs do not perform as anticipated in commercial use, we will not realize revenues from licensing or other use of our fuel designs.

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 our fuels may be delayed and made more costly, and industry acceptance of our fuels may be hampered.

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

Our fuel designs differ significantly in some aspects from the fuel licensed and used today by commercial nuclear power plants. These differences will likely result in more prolonged and extensive review by the U.S. Nuclear Regulatory Commission or its counterparts around the world that could cause development program schedule delays. Entities within the nuclear industry may be hesitant to be the first to use our fuel, which has little or no history of successful commercial use. Furthermore, our research and development program schedule relies on the transferability and applicability of the operating experience of the Russian icebreakers with metallic fuels for regulatory licensing purposes outside of Russia. There is a risk that if this fuel performance operating experience is found by the regulatory authority not to be transferable, more extensive experiments will be required 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.

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. The co-extrusion fabrication technology involves extrusion of a single-piece solid fuel rod from a metallic matrix containing uranium and zirconium alloy. Fabrication of full-length (approximately 3.5 to 4.5 meters) metallic fuel rods has yet to be demonstrated. There is a risk that the fuel fabrication process required 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 us acquiring rights to the designs, data, processes and methodologies that are used or may be used in our business in the future. If we are unable to obtain such rights on reasonable terms in the future, our ability to exploit our intellectual property may be limited.

We are currently conducting fuel assembly design and testing work in Russia through our Moscow office personnel as well as Russian research institutes and other nuclear entities that are owned or are closely affiliated with the government of the Russian Federation. We do not currently have all of the necessary licensing or other rights to acquire or utilize certain designs, data, methodologies or processes required for the fabrication of our fuel assemblies. If we, or a fuel fabricator to whom we license our fuel technology, desire to utilize such processes or methodologies in the future, a license or other right to use such technologies from the Russian entities that previously developed and own such technologies would be required. 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 know-how required for the fabrication of our fuel assemblies on terms that the

Russian entities deem to be reasonable, or there is only a single supplier of our fuel assemblies, then we may not be able to fully exploit our intellectual property and may be hindered in the sale of our fuel products and services.

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

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

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

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

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

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

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

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

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

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

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

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

Risks Associated With Our Consulting Activities.

Our inability to attract business from new clients or the loss of any of 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 will 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.

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

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

are affected by a number of factors, including:

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

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

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

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

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

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

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

Risks Relating to the Ownership of Our Securities

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

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

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

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

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

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

There were no unregistered sales of equity securities during the fiscal quarter ended March 31, 2012.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

There were no defaults upon senior securities during the fiscal quarter ended March 31, 2012.

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>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 Accounting Officer</u>
<u>32</u>	<u>Section 1350 Certifications</u>
101.INS *	XBRL Instance Document
101.SCH *	XBRL Taxonomy Extension Schema Document
101.CAL *	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF *	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB *	XBRL Taxonomy Extension Label Linkbase Document
101.PRE *	XBRL Taxonomy Extension Presentation Linkbase Document

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

SIGNATURES

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

Date: May 10, 2012

LIGHTBRIDGE CORPORATION

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

By: /s/ James Guerra
James Guerra
Chief Operating Officer and
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

EXHIBIT INDEX

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