

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: **September 30, 2021**

☐ 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.)

11710 Plaza America Drive, Suite 2000

Reston, VA 20190

(Address of principal executive offices, Zip Code)

(571) 730-1200

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class:

Common Stock, \$0.001 par value

Trading Symbol(s):

LTBR

Name of Each Exchange on Which Registered:

The Nasdaq Capital Market

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large Accelerated Filer

☐

Accelerated Filer

☐

Non-accelerated Filer

☒

Smaller reporting company

☒

Emerging growth company

☐

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares outstanding of the issuer's common stock, as of November 5, 2021 is as follows:

Class of Securities

Common Stock, \$0.001 par value

Shares Outstanding

7,628,542

LIGHTBRIDGE CORPORATION
Form 10-Q
SEPTEMBER 30, 2021

| | <u>Page</u> |
|--|---|
| <u>PART I – FINANCIAL INFORMATION</u> | |
| Item 1. | Financial Statements (unaudited) 3 |
| | Unaudited Condensed Consolidated Balance Sheets as of September 30, 2021 and December 31, 2020 3 |
| | Unaudited Condensed Consolidated Statements of Operations for the Three Months and Nine Months Ended September 30, 2021 and 2020 4 |
| | Unaudited Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2021 and 2020 5 |
| | Unaudited Condensed Consolidated Statement of Changes in Stockholders' Equity for the Nine Months Ended September 30, 2020 and 2021 6 |
| | Notes to Condensed Consolidated Financial Statements (unaudited) 8 |
| | Forward - Looking Statements 21 |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations 23 |
| Item 3. | Quantitative and Qualitative Disclosures About Market Risk 30 |
| Item 4. | Controls and Procedures 30 |
| <u>PART II – OTHER INFORMATION</u> | |
| Item 1. | Legal Proceedings 31 |
| Item 1A. | Risk Factors 31 |
| Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds 31 |
| Item 3. | Defaults Upon Senior Securities 31 |
| Item 4. | Mine Safety Disclosures 31 |
| Item 5. | Other Information 31 |
| Item 6. | Exhibits 32 |
| <u>SIGNATURES</u> 33 | |

PART I—FINANCIAL INFORMATION

LIGHTBRIDGE CORPORATION
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

| | <u>September 30,</u> <u>2021</u> | <u>December 31,</u> <u>2020</u> |
|--|-------------------------------------|------------------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 16,133,652 | \$ 21,531,665 |
| Other receivables | 110,000 | — |
| Prepaid expenses and other current assets | 247,211 | 172,460 |
| Total Current Assets | 16,490,863 | 21,704,125 |
| Other Assets | | |
| Trademarks | 101,583 | 85,562 |
| Total Assets | <u>\$ 16,592,446</u> | <u>\$ 21,789,687</u> |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ 1,107,865 | \$ 382,130 |
| Accrued legal settlement costs | - | 4,200,000 |
| Total Current Liabilities | 1,107,865 | 4,582,130 |
| Commitments and Contingencies - Note 4 | | |
| Stockholders' Equity | | |
| Preferred stock, \$0.001par value, 10,000,000authorized shares | - | - |
| Convertible Series A preferred shares,663,767shares and 699,878 shares issued and outstanding at September 30, 2021 and December 31, 2020, respectively (liquidation preference \$2,614,186 and \$2,613,025 at September 30, 2021 and December 31, 2020, respectively) | 663 | 699 |
| Convertible Series B preferred shares, 2,666,667 shares issued and outstanding at September 30, 2021 and December 31, 2020 (liquidation preference \$5,159,162 and \$4,897,517 at September 30, 2021 and December 31, 2020, respectively) | 2,667 | 2,667 |
| Common stock, \$0.001par value, 13,500,000 shares authorized,7,208,739 shares and 6,567,110 shares issued and outstanding at September 30, 2021 and December 31, 2020, respectively | 7,209 | 6,567 |
| Additional paid-in capital | 150,163,990 | 146,353,232 |
| Accumulated deficit | (134,689,948) | (129,155,608) |
| Total Stockholders' Equity | 15,484,581 | 17,207,557 |
| Total Liabilities and Stockholders' Equity | <u>\$ 16,592,446</u> | <u>\$ 21,789,687</u> |

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

LIGHTBRIDGE CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|----------------|------------------------------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| Revenue | \$ — | \$ — | \$ — | \$ — |
| Operating Expenses | | | | |
| General and administrative | 1,763,060 | 2,835,471 | 5,061,820 | 6,800,892 |
| Research and development | 439,630 | 261,898 | 1,082,394 | 767,498 |
| Total Operating Expenses | 2,202,690 | 3,097,369 | 6,144,214 | 7,568,390 |
| Other Operating Income | | | | |
| Distribution from joint venture | - | - | 110,000 | - |
| Grant income | 288,884 | 29,662 | 459,997 | 29,662 |
| Total Other Operating Income | 288,884 | 29,662 | 569,997 | 29,662 |
| Operating Loss | (1,913,806) | (3,067,707) | (5,574,217) | (7,538,728) |
| Other Income | | | | |
| Interest income | 1,551 | 4,645 | 6,183 | 79,474 |
| Foreign currency transaction gain | - | - | 33,694 | - |
| Total Other Income | 1,551 | 4,645 | 39,877 | 79,474 |
| Net Loss Before Income Taxes | (1,912,255) | (3,063,062) | (5,534,340) | (7,459,254) |
| Income taxes | — | — | — | — |
| Net Loss | \$ (1,912,255) | \$ (3,063,062) | \$ (5,534,340) | \$ (7,459,254) |
| Accumulated preferred stock dividend | (135,091) | (128,937) | (399,838) | (383,086) |
| Deemed additional dividend on preferred stock dividend due to the beneficial conversion feature | (59,314) | (55,940) | (175,211) | (165,551) |
| Net loss attributable to common stockholders | \$ (2,106,660) | \$ (3,247,939) | \$ (6,109,389) | \$ (8,007,891) |
| Net Loss Per Common Share, Basic and Diluted | \$ (0.31) | \$ (0.80) | \$ (0.92) | \$ (2.22) |
| Weighted Average Number of Common Shares Outstanding | 6,759,662 | 4,053,644 | 6,648,803 | 3,613,349 |

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

LIGHTBRIDGE CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Nine Months Ended September 30, | |
|--|--|-------------------|
| | 2021 | 2020 |
| Operating Activities | | |
| Net Loss | \$ (5,534,340) | \$ (7,459,254) |
| Adjustments to reconcile net loss from operations to net cash used in operating activities: | | |
| Common stock issued for services | 45,000 | 17,000 |
| Stock-based compensation | 300,583 | 8,110 |
| Patent write-offs | - | 111,850 |
| Changes in operating working capital items: | | |
| Other receivables | (110,000) | 400,000 |
| Prepaid expenses and other current assets | (74,751) | (117,281) |
| Accounts payable and accrued liabilities | 780,425 | 1,465,492 |
| Accrued legal settlement costs | (4,200,000) | - |
| Net Cash Used in Operating Activities | (8,793,083) | (5,574,083) |
| Investing Activities | | |
| Patents and trademarks | (16,021) | (138,692) |
| Net Cash Used in Investing Activities | (16,021) | (138,692) |
| Financing Activities | | |
| Net proceeds from issuances of common stock and exercise of stock options | 3,411,091 | 5,164,685 |
| Net Cash Provided by Financing Activities | 3,411,091 | 5,164,685 |
| Net Decrease in Cash and Cash Equivalents | (5,398,013) | (548,090) |
| Cash and Cash Equivalents, Beginning of Period | 21,531,665 | 17,958,989 |
| Cash and Cash Equivalents, End of Period | <u>\$ 16,133,652</u> | <u>17,410,899</u> |
| Supplemental Disclosure of Cash Flow Information: | | |
| Cash paid during the period: | | |
| Interest paid | \$ — | \$ — |
| Income taxes paid | \$ — | \$ — |
| Non-Cash Financing Activities: | | |
| Accumulated preferred stock dividend | \$ 575,049 | \$ 548,637 |
| Conversion of Series A convertible preferred stock to common stock and payment of paid-in-kind dividends to Series A preferred stockholder | \$ 39,885 | \$ 38,071 |
| Payment of accrued liabilities with common stock | \$ 69,690 | \$ 17,000 |

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

LIGHTBRIDGE CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2021

| | Series A Preferred Stock | | Series B Preferred Stock | | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Total Equity |
|--|-----------------------------|--------|-----------------------------|----------|--------------|----------|----------------------------------|------------------------|-----------------|
| | Shares | Amount | Shares | Amount | Shares | Amount | | | |
| Balance – January 1, 2020 | 757,770 | \$ 757 | 2,666,667 | \$ 2,667 | 3,252,371 | \$ 3,252 | \$ 133,932,615 | \$ (114,738,342) | \$ 19,200,949 |
| Conversion of 11,874 preferred shares to 1,255 shares of common shares | (11,874) | (12) | — | — | 1,255 | 1 | 11 | — | — |
| Shares issued - registered offerings – net of offering costs | — | — | — | — | 110,053 | 111 | 399,564 | — | 399,675 |
| Stock-based compensation | — | — | — | — | — | — | 6,085 | — | 6,085 |
| Net loss for the three months ended March 31, 2020 | — | — | — | — | — | — | — | (2,264,086) | (2,264,086) |
| Balance – March 31, 2020 | 745,896 | \$ 745 | 2,666,667 | \$ 2,667 | 3,363,679 | \$ 3,364 | \$ 134,338,275 | \$ (117,002,428) | \$ 17,342,623 |
| Conversion of 17,080 preferred shares to 1,847 shares of common shares | (17,080) | (17) | — | — | 1,847 | 2 | 15 | — | — |
| Shares issued - registered offerings – net of offering costs | — | — | — | — | 437,341 | 437 | 2,277,885 | — | 2,278,322 |
| Exercise of 6,548 options at \$3.82 each | — | — | — | — | 6,548 | 6 | 25,007 | — | 25,013 |
| Stock-based compensation | — | — | — | — | — | — | 6,085 | — | 6,085 |
| Net loss for the three months ended June 30, 2020 | — | — | — | — | — | — | — | (2,132,106) | (2,132,106) |
| Balance – June 30, 2020 | 728,816 | \$ 728 | 2,666,667 | \$ 2,667 | 3,809,415 | \$ 3,809 | \$ 136,647,267 | \$ (119,134,534) | \$ 17,519,937 |
| Conversion of 16,689 preferred shares to 1,846 shares of common shares | (16,689) | (16) | — | — | 1,846 | 2 | 14 | — | — |
| Shares issued - registered offerings – net of offering costs | — | — | — | — | 601,700 | 602 | 2,461,073 | — | 2,461,675 |
| Common stock issued to consultant for services | — | — | — | — | 4,000 | 4 | 16,996 | — | 17,000 |
| Reverse of stock-based compensation for forfeited stock options | — | — | — | — | — | — | (4,060) | — | (4,060) |
| Net loss for the three months ended September 30, 2020 | — | — | — | — | — | — | — | (3,063,062) | (3,063,062) |
| Balance – September 30, 2020 | 712,127 | \$ 712 | 2,666,667 | \$ 2,667 | 4,416,961 | \$ 4,417 | \$ 139,121,290 | \$ (122,197,596) | \$ 16,931,490 |

LIGHTBRIDGE CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2021
(Continued)

| | Series A Preferred Stock | | Series B Preferred Stock | | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Total Equity |
|--|-----------------------------|--------|-----------------------------|----------|--------------|----------|----------------------------------|------------------------|-----------------|
| | Shares | Amount | Shares | Amount | Shares | Amount | | | |
| Balance – January 1, 2021 | 699,878 | \$ 699 | 2,666,667 | \$ 2,667 | 6,567,110 | \$ 6,567 | \$ 146,353,232 | \$ (129,155,608) | \$ 17,207,557 |
| Shares issued to consultant & directors for services | — | — | — | — | 24,200 | 24 | 69,666 | — | 69,690 |
| Stock-based compensation | — | — | — | — | — | — | 60,068 | — | 60,068 |
| Net loss for the three months ended March 31, 2021 | — | — | — | — | — | — | — | (2,011,988) | (2,011,988) |
| Balance – March 31, 2021 | 699,878 | \$ 699 | 2,666,667 | \$ 2,667 | 6,591,310 | \$ 6,591 | \$ 146,482,966 | \$ (131,167,596) | \$ 15,325,327 |
| Conversion of 16,026 preferred shares to 1,846 shares of common shares | (16,026) | (16) | — | — | 1,846 | 2 | 14 | — | — |
| Shares issued to consultant for services | — | — | — | — | 2,347 | 2 | 14,998 | — | 15,000 |
| Stock-based compensation | — | — | — | — | — | — | 186,335 | — | 186,335 |
| Net loss for the three months ended June 30, 2021 | — | — | — | — | — | — | — | (1,610,097) | (1,610,097) |
| Balance – June 30, 2021 | 683,852 | \$ 683 | 2,666,667 | \$ 2,667 | 6,595,503 | \$ 6,595 | \$ 146,684,313 | \$ (132,777,693) | \$ 13,916,565 |
| Conversion of 20,085 preferred shares to 2,382 shares of common shares | (20,085) | (20) | — | — | 2,382 | 3 | 17 | — | — |
| Shares issued - registered offerings – net of offering costs | — | — | — | — | 608,819 | 609 | 3,410,482 | — | 3,411,091 |
| Shares issued to consultant for services | — | — | — | — | 2,035 | 2 | 14,998 | — | 15,000 |
| Stock-based compensation | — | — | — | — | — | — | 54,180 | — | 54,180 |
| Net loss for the three months ended September 30, 2021 | — | — | — | — | — | — | — | (1,912,255) | (1,912,255) |
| Balance – September 30, 2021 | 663,767 | \$ 663 | 2,666,667 | \$ 2,667 | 7,208,739 | \$ 7,209 | \$ 150,163,990 | \$ (134,689,948) | \$ 15,484,581 |

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

LIGHTBRIDGE CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Basis of presentation

The accompanying unaudited condensed consolidated financial statements of Lightbridge Corporation and its subsidiaries have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission, or the SEC, including the instructions to Form 10-Q and Regulation S-X. Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States of America, including a summary of the Company's significant accounting policies, have been condensed or omitted from these statements pursuant to such rules and regulations and, accordingly, they do not include all the information and notes necessary for comprehensive consolidated financial statements and should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2020, included in our Annual Report on Form 10-K for the year ended December 31, 2020.

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

The Company was formed on October 6, 2006, when Thorium Power, Ltd., which was incorporated in the state of Nevada on February 2, 1999, merged with Thorium Power, Inc. ("TPI"), which was incorporated in the state of Delaware on January 8, 1992 (subsequently and collectively referred to as "we" or the "Company"). On September 29, 2009, the Company changed its name from Thorium Power, Ltd. to Lightbridge Corporation and began its focus on developing and commercializing metallic nuclear fuels. The Company is a nuclear fuel technology company developing and working to commercialize its next generation nuclear fuel technology.

Going Concern, Liquidity and Management's Plan

The Company's available working capital at September 30, 2021 does not exceed its currently anticipated expenditures through the third quarter of 2022. There are inherent uncertainties in forecasting future expenditures, especially forecasting for uncertainties such as future research and development (R&D) costs and how the COVID-19 outbreak, including the emergence and spread of variant strains of the virus, may affect future costs and operations. Also, the cash requirements of the Company's future planned operations to commercialize its nuclear fuel, including any additional expenditures that may result from unexpected developments, requires it to raise significant additional capital, including receiving government support. Considering these uncertainties as well as the updated projected fuel development timeline of 15-20 years to commercialization, projected operational costs to keep the fuel development project on schedule and the various risks of developing and commercializing its nuclear fuel, these factors raise substantial doubt about the Company's ability to continue as a going concern for the 12 months following the date of this filing. To the extent any uncertainties reduce the Company's liquidity for the next 12 months, the Company will consider, if available, additional debt or equity raises and delaying certain expenditures, including delaying R&D expenses, until sufficient capital becomes available.

At September 30, 2021, the Company had approximately \$16.1 million in cash and had a working capital surplus of approximately \$15.4 million. The Company's net cash used in operating activities for the nine months ended September 30, 2021 was approximately \$8.8 million, and current projections indicate that the Company will have continued negative cash flows for the foreseeable future. Net losses incurred for the nine months ended September 30, 2021 and 2020 amounted to approximately \$(6.1) million and \$(8.0) million, respectively. As of September 30, 2021, the Company had an accumulated deficit of approximately \$134.7 million, representative of recurring losses since inception. The Company will continue to incur losses because it is in the early development stage of commercializing its nuclear fuel.

The Company's plans to fund future operations include: (1) raising additional capital through future equity issuances or convertible debt financings; (2) additional funding through new relationships to help fund future R&D costs; and (3) seeking other sources of capital, including through grants from the federal government. The Company may issue securities, including common stock, preferred stock, and stock purchase contracts through private placement transactions or registered public offerings, pursuant to current and future registration statements. The Company's current shelf registration statement on Form S-3 was filed with the SEC on March 25, 2021, registering the sale of up to \$75 million of the Company's securities and declared effective on April 5, 2021. There can be no assurance as to the future availability of equity capital or the acceptability of the terms upon which financing and capital might become available. The Company's future liquidity needs to develop its nuclear fuel are long-term, and the ability to address those needs and to raise capital will largely be determined by the success of the development of its nuclear fuel, key nuclear development and government regulatory events, and its business decisions in the future.

Basis of Consolidation

These condensed consolidated financial statements include the accounts of Lightbridge, a Nevada corporation, and the Company's wholly-owned subsidiaries, TPI, a Delaware corporation, and Lightbridge International Holding LLC, a Delaware limited liability company. These wholly-owned subsidiaries are inactive. All significant intercompany transactions and balances have been eliminated in consolidation.

Certain Risks, Uncertainties and Concentrations

The Company will need additional funding by way of a combination of strategic alliances, government grants, further offerings of equity securities, or an offering of debt securities in order to support its future R&D activities required to further enhance and complete the development of its fuel products to a proof-of-concept stage and a commercial stage thereafter.

There can be no assurance that the Company will be able to successfully continue to conduct its operations if there is a lack of financial resources available in the future to continue its fuel development, and a failure to do so would have a material adverse effect on the Company's future R&D activities, financial position, results of operations, and cash flows. Also, the success of the Company's operations will be subject to other numerous contingencies, some of which are beyond management's control. These contingencies include general and regional economic conditions, contingent liabilities, potential competition with other nuclear fuel developers, including those entities developing accident tolerant fuels, changes in government regulations, support for nuclear power, changes in accounting and taxation standards, inability to achieve overall long-term goals, future impairment charges to its assets, and global or regional catastrophic events. The Company may also be subject to various additional political, economic, and other uncertainties.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risk to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak a pandemic, based on increased exposure globally. The current spread of COVID-19, including the emergence and spread of variant strains of the virus, that is impacting global economic activity and market conditions could lead to adverse changes in the Company's ability to conduct R&D activities with the United States national labs and others. The COVID-19 outbreak had impacted our business operations and results of operations for the year ended December 31, 2020, which resulted in a delay of our R&D work and reduction of R&D expenses and an increase in general and administrative expenses due to severance payments to former employees. However, the effects of the pandemic are fluid and changing rapidly, including with respect to vaccine and treatment developments and deployment and potential mutations of COVID-19. While the Company continues to monitor the impact of COVID-19 on its business, the Company is unable to accurately predict the ultimate impact on future results of operations, financial condition and liquidity that COVID-19 will have due to various uncertainties, including the geographic spread of the virus, the severity of the disease, the duration of the outbreak, and actions that may be taken by governmental authorities and other third-parties.

On March 27, 2020, the "Coronavirus Aid, Relief, and Economic Security (CARES) Act." was signed into law. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer social security payment, net operating loss carryback period, alternative minimum tax credit refund, modification to the net interest deduction limitation, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation method for qualified improvement property. It also appropriated funds for the SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. Management decided not to apply for these funds. The CARES Act did not have an impact on our results of operations, financial condition and liquidity.

Grant Income

The Company concluded that its government grants were not within the scope of ASC Topic 606 as they did not meet the definition of a contract with a customer. Additionally, the Company concluded that the grants met the definition of a contribution, and the grants were a non-reciprocal transaction. The Company determined that Subtopic 958-605, Not-for-Profit-Entities-Revenue Recognition did not apply, as the Company is a business entity, and the grant was received from governmental agencies.

In the absence of applicable guidance under U.S. generally accepted accounting principles (“U.S. GAAP”), the Company’s management developed a policy to recognize grant income at the time the related costs are incurred and the right to payment is realized.

The Company believes this policy is consistent with the overarching premise in ASC Topic 606, to ensure that revenue recognition reflects the transfer of promised goods or services to customers in an amount that reflects the consideration that we expect to be entitled to in exchange for those goods or services, even though there is no exchange as defined in ASC Topic 606. Additionally, the Company determined that the recognition of grant income as costs are incurred and amounts become realizable is analogous to the concept of transfer of control of a service over time under ASC Topic 606.

Further, the Company believes that showing grant income on a gross method, with the grant income shown as other operating income and the related costs as a charge to R&D expense, rather than depicting the grant income as a reduction of R&D expense, is a more meaningful presentation.

The Company recognized grant income of approximately \$0.3 million and \$0.5 million for the three and nine months ended September 30, 2021, respectively, and approximately \$30,000 for the three and nine months ended September 30, 2020.

Patents and Trademarks

Through September 30, 2020, patents were stated on the consolidated balance sheets at cost. Costs, such as filing fees with patent granting agencies and legal fees directly relating to those filings, incurred to file patent applications were capitalized when the Company believed that there was a high likelihood that the patent would be issued and there would be future economic benefit associated with the patent. These costs were amortized from the date of the patent application on a straight-line basis over the estimated useful life of 20 years, which is the legal life of the patent. All costs associated with abandoned patent applications were expensed. The Company expensed patent annuity fees as these fees were maintenance fees required by the patent office at certain points in time after a patent was granted in order to keep the patent legal rights in force. During the years ended December 31, 2020 and 2019, these patent annuity fees were insignificant. In the fourth quarter of 2020, the remaining patent costs were written-off as impaired.

Beginning January 1, 2021, patent filing fees with patent granting agencies and legal fees directly relating to those filings, incurred to file patent applications were expensed as the Company believes that there is not a high likelihood that there will be a future economic benefit associated with the patents, due to the uncertainties in the current fuel development timelines and the patents being commercialized. The Company continues to expense patent annuity fees as these fees are maintenance fees required by the patent office at certain points in time after a patent is granted, in order to keep the patent legal rights in force. As of September 30, 2021, and December 31, 2020 the carrying value of the patents on the balance sheets was \$0.

Costs for filing and legal fees for trademark applications are capitalized. Trademarks are considered intangible assets with an indefinite useful life and therefore should not be amortized. The Company performed an impairment test in the fourth quarter of 2020 and no impairment of the trademarks was identified. As of September 30, 2021 and December 31, 2020, the carrying value of trademarks was approximately \$0.1 million.

Leases

In accordance with ASU 2016-02, *Leases (Topic 842)*, which requires recognition of most lease arrangements on the balance sheet, the Company recognizes operating lease right of use assets and liabilities at commencement date based on the present value of the future minimum lease payments over the lease term. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheet in accordance with the short-term lease recognition exemption. The Company applies the practical expedient to non-separate and non-lease components for all leases that qualify. Lease expense is recognized on a straight-line basis over the lease term. The Company has only one lease for office rent and the lease is for a term of 12 months without renewal options. See Note 4 for additional information.

Stock-Based Compensation

The stock-based compensation expense incurred by Lightbridge for employees and directors in connection with its equity incentive plan is based on the employee model of ASC 718, and the fair value of the options is measured at the grant date. In accordance with ASU 2018-07, *Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*, options granted to our consultants are accounted for in the same manner as options issued to employees.

Awards with service-based vesting conditions only – Expense recognized on a straight-line basis over the requisite service period of the award.

Awards with performance-based vesting conditions – Expense is not recognized until it is determined that it is probable the performance-based conditions will be met. When achievement of a performance-based condition is probable, a catch-up of expense is recorded as if the award had been vesting on a straight-line basis from the award date. The award will continue to be expensed on a straight-line over the requisite service period basis until a higher performance-based condition is met, if applicable.

Awards with market-based vesting conditions – Expense recognized on a straight-line basis over the requisite service period, which is the lesser of the derived service period or the explicit service period if one is present. However, if the market condition is satisfied prior to the end of the requisite service period, the Company accelerates all remaining expense to be recognized.

Awards with both performance-based and market-based vesting conditions – If an award vesting or exercisability is conditional upon the achievement of either a market condition or performance or service conditions, the requisite service period is generally the shortest of the explicit, implicit, and derived service period.

The Company elected to use the Black-Scholes pricing model to determine the fair value of stock options on the measurement date of the grant for service-based vesting conditions and the Monte-Carlo valuation method for performance-based or market-based vesting conditions. Shares that are issued to officers on the exercise dates of the stock options may be issued net of the minimum statutory withholding requirements to be paid by the Company on behalf of the employees. As a result, the actual number of shares issued are fewer than the actual number of shares exercised under the stock option.

Recent Accounting Pronouncements – To Be Adopted

In August 2020, the FASB issued ASU 2020-06, *Debt-Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. ASU 2020-06 will simplify the accounting for convertible instruments by reducing the number of accounting models for convertible debt instruments and convertible preferred stock. Limiting the accounting models will result in fewer embedded conversion features being separately recognized from the host contract as compared with current U.S. GAAP. Convertible instruments that continue to be subject to separation models are (1) those with embedded conversion features that are not clearly and closely related to the host contract, that meet the definition of a derivative, and that do not qualify for a scope exception from derivative accounting and (2) convertible debt instruments issued with substantial premiums for which the premiums are recorded as paid-in capital. ASU 2020-06 also amends the guidance for the derivatives scope exception for contracts in an entity's own equity to reduce form-over-substance-based accounting conclusions. ASU 2020-06 will be effective July 1, 2024, for the Company. Early adoption is permitted, but no earlier than January 1, 2021, including interim periods within that year. Management is currently evaluating the effect of the adoption of ASU 2020-06 on the consolidated financial statements and related footnote disclosures.

Note 2. Net Loss Per Share

Basic net loss per share is computed using the weighted-average number of common shares outstanding during the period except that it does not include unvested common shares subject to repurchase or cancellation. Diluted net income per share is computed using the weighted-average number of common shares and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options, warrants and convertible preferred shares (see Note 6. Stockholders' Equity and Stock-Based Compensation).

The treasury stock method is used in calculating diluted EPS for potentially dilutive stock options and share purchase warrants, which assumes that any proceeds received from the exercise of in-the-money stock options and share purchase warrants, would be used to purchase common shares at the average market price for the period, unless including the effects of these potentially dilutive securities would be anti-dilutive.

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|-----------------------|------------------------------------|-----------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Basic | | | | |
| Numerator: | | | | |
| Net loss attributable to common stockholders | \$ (2,106,660) | \$ (3,247,939) | \$ (6,109,389) | \$ (8,007,891) |
| Denominator: | | | | |
| Weighted-average common shares outstanding | 6,759,662 | 4,053,644 | 6,648,803 | 3,613,349 |
| Basic net loss per share | <u>\$ (0.31)</u> | <u>\$ (0.80)</u> | <u>\$ (0.92)</u> | <u>\$ (2.22)</u> |
| Diluted | | | | |
| Numerator: | | | | |
| Net loss attributable to common stockholders, basic | \$ (2,106,660) | \$ (3,247,939) | \$ (6,109,389) | \$ (8,007,891) |
| Effect of dilutive securities | - | - | - | - |
| Net loss, diluted | <u>\$ (2,106,660)</u> | <u>\$ (3,247,939)</u> | <u>\$ (6,109,389)</u> | <u>\$ (8,007,891)</u> |
| Denominator: | | | | |
| Weighted average common shares outstanding - basic | 6,759,662 | 4,053,644 | 6,648,803 | 3,613,349 |
| Potential common share issuances: | - | - | - | - |
| Incremental dilutive shares from equity instruments (treasury stock method) | <u>6,759,662</u> | <u>4,053,644</u> | <u>6,648,803</u> | <u>3,613,349</u> |
| Diluted net loss per share | <u>\$ (0.31)</u> | <u>\$ (0.80)</u> | <u>\$ (0.92)</u> | <u>\$ (2.22)</u> |

The following outstanding securities have been excluded from the computation of diluted weighted shares outstanding for the periods noted below, as they would have been anti-dilutive due to the Company's losses at September 30, 2021 and 2020 and because the exercise price of certain of these outstanding securities was greater than the average closing price of the Company's common stock:

| | At September 30, | |
|---|------------------|----------------|
| | 2021 | 2020 |
| Warrants outstanding | 45,577 | 70,361 |
| Stock options outstanding | 568,995 | 515,985 |
| RSUs outstanding | 235,850 | - |
| Series A convertible preferred stock to common shares | 79,279 | 79,297 |
| Series B convertible preferred stock to common shares | 286,620 | 267,405 |
| Total | <u>1,216,321</u> | <u>933,048</u> |

Note 3. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following (rounded to the nearest thousand):

| | September 30, 2021 | December 31, 2020 |
|---------------------------------------|-----------------------|----------------------|
| Trade payables | \$ 66,000 | \$ 233,000 |
| Accrued bonuses | 916,000 | - |
| Accrued legal and consulting expenses | 114,000 | 146,000 |
| Other accrued expenses | 12,000 | 3,000 |
| Total | <u>\$ 1,108,000</u> | <u>\$ 382,000</u> |

Note 4. Commitments and Contingencies

Commitments

Operating Leases

The Company leased office space for a 12-month term from January 1, 2021 through December 31, 2021 with a monthly payment of approximately \$1,000. The future minimum lease payments required under the Company's non-cancellable operating leases for 2021 total approximately \$30,000. Total rent expense for the nine months ended September 30, 2021 and 2020 was approximately \$0.1 million for both periods.

Contingency

Settlement of Arbitration

On February 11, 2021, the Company entered into a settlement agreement (the "Settlement Agreement") with Framatome SAS and Framatome Inc. (together, "Framatome"), resolving the pending claims and counterclaims between the parties in arbitration and judicial proceedings related to the parties' inactive joint venture, Enfission, LLC. Under the terms of the Settlement Agreement, all joint venture agreements were terminated, and the joint venture was dissolved on March 23, 2021. The Company accrued \$4.2 million related to the Settlement Agreement at December 31, 2020. The Company paid Framatome approximately \$4.2 million for outstanding invoices for work performed by Framatome and other expenses incurred by Framatome on March 15, 2021. Additionally, the Company recorded an approximate \$34,000 foreign currency transaction gain related to the settlement payment for the nine months ended September 30, 2021. The Company expects to receive approximately a \$110,000 distribution relating to the dissolution and wind-down of Enfission, which is included in other receivables on the condensed consolidated balance sheet at September 30, 2021.

Mediation Settlement

A former Chief Financial Officer of the Company filed a complaint against the Company with the US Occupational Safety and Health Administration ("OSHA") on March 9, 2015. This complaint was dismissed by OSHA in January 2018 without any findings against the Company. On March 14, 2018, an appeal was filed with the U.S. Department of Labor Office of Administrative Law Judges ("OALJ"). On September 6, 2019, the Company filed a motion for summary decision seeking a decision in its favor as a matter of law. The motion for summary judgement was denied on September 30, 2020. The complaint was mediated on May 13, 2021 and the parties subsequently reached an agreement to resolve all claims for the total monetary sum of approximately \$675,000 in exchange for a dismissal of the pending litigation, full release of all claims against the Company, and other conditions. On July 13, 2021, the settlement agreement was finalized by both parties and the Company applied for court approval by the OALJ assigned to this matter. The settlement was approved by the OALJ on July 22, 2021. The Company made the settlement payment and related costs of \$695,000 and the insurers reimbursed the Company for the settlement payment of \$663,000. The Company bore the costs of \$32,000. The case was final and conclusive.

As of September 30, 2021, legal fees owed in connection with the mediation were paid in full by the Company's insurance carriers. As of December 31, 2020, legal fees of approximately \$13,000 were owed in connection with the mediation.

Note 5. Research and Development Costs

On December 19, 2019, the Company was awarded a voucher from the U.S. Department of Energy's (DOE) Gateway for Accelerated Innovation in Nuclear (GAIN) program to support development of Lightbridge Fuel™ in collaboration with Idaho National Laboratory (INL). The scope of the project included experiment design for irradiation of Lightbridge metallic fuel material samples in the Advanced Test Reactor (ATR) at INL. On April 22, 2020, the Company entered into a Cooperative Research and Development Agreement (CRADA) with Battelle Energy Alliance, LLC, the operating contractor of INL, in collaboration with DOE. Signing the CRADA was the last step in the contracting process to formalize a voucher award from the GAIN program. The initial total project value was estimated at approximately \$846,000, with three-quarters of this amount expected to be funded by DOE for the scope performed by INL and the remaining amount funded by Lightbridge, by providing in-kind services to the project. Because of project staffing issues at INL related to the laboratory's COVID-19 restrictions and U.S. export control matters, the Company completed a contract extension for this INL GAIN voucher in January 2021. The period of performance was extended to September 30, 2021. All work was completed on this GAIN voucher in the third quarter of 2021. INL is currently in the process of documentation of the final close-out of this project. The total project amount recorded as grant income was approximately \$0.5 million. The Company recorded approximately \$0.3 million and \$0.4 million for the three and nine months ended September 30, 2021, respectively, of work that was completed by INL that caused the DOE to incur payment obligations related to the GAIN voucher. This amount was recorded as grant income in Other Operating Income section of the condensed consolidated statement of operations and the corresponding amount recorded as research and development expenses.

On March 25, 2021, the Company was awarded a second voucher from the DOE's GAIN program to support development of Lightbridge Fuel™ in collaboration with the Pacific Northwest National Laboratory (PNNL). The scope of the project is to demonstrate Lightbridge's nuclear fuel casting process using depleted uranium, a key step in the manufacture of Lightbridge Fuel™. On July 14, 2021, the Company executed a CRADA with the Battelle Memorial Institute, Pacific Northwest Division, the operating contractor of the PNNL, in collaboration with the DOE. The total project value is approximately \$663,000, with three-quarters of this amount expected to be funded by DOE for the scope performed by PNNL and the remaining amount funded by Lightbridge, by providing in-kind services to the project.

The project commenced in the third quarter of 2021 and is expected to be completed by the third quarter of 2022. For the three months and nine months ended September 30, 2021, the Company recorded approximately \$21,000 of work that was completed by PNNL that caused the DOE to incur payment obligations related to the GAIN voucher. This amount was recorded as grant income in Other Operating Income section of the condensed consolidated statement of operations and the corresponding amount as research and development expenses.

Note 6. Stockholders' Equity and Stock-Based Compensation

On June 28, 2021, at our annual shareholder meeting, the shareholders' approved an amendment to the Articles of Incorporation of the Company to increase the number of authorized shares of common stock from 8,333,333 shares to 13,500,000 shares and an amendment to the Lightbridge Corporation 2020 Omnibus Incentive Plan to increase the number of shares of common stock available for issuance under this Incentive Plan from 350,000 shares to 650,000 shares.

At September 30, 2021, the Company had 7,208,739 common shares outstanding. Also outstanding were warrants relating to 45,577 shares of common stock, stock options relating to 568,995 shares of common stock, 235,850 restricted shares units of common stock, 663,767 shares of Series A convertible preferred stock convertible into 55,314 shares of common stock (plus accrued dividends of an additional 23,965 common shares), and 2,666,667 shares of Series B convertible preferred stock convertible into 222,222 shares of common stock (plus accrued dividends of an additional 64,398 common shares), all totalling 8,425,060 shares of common stock and all common stock equivalents, including the accrued preferred stock dividends, outstanding at September 30, 2021.

At December 31, 2020, the Company had 6,567,110 common shares outstanding. Also outstanding were warrants relating to 70,361 shares of common stock, stock options relating to 515,847 shares of common stock, 243,800 restricted shares units of common stock, 699,878 shares of Series A convertible preferred stock convertible into 58,323 shares of common stock (plus accrued dividends of \$691,120 relating to an additional 20,980 common shares), and 2,666,667 shares of Series B convertible preferred stock convertible into 222,222 shares of common stock (plus accrued dividends of \$897,518, relating to an additional 49,862 common shares), all totalling 7,748,505 shares of common stock and all common stock equivalents, including accrued preferred stock dividends, outstanding at December 31, 2020.

Common Stock Equity Offerings

ATM Offerings

On May 28, 2019, the Company entered into an at-the-market ("ATM") equity offering sales agreement ("ATM Sales Agreement") with Stifel, Nicolaus & Company, Incorporated ("Stifel"), which was amended on April 9, 2021, pursuant to which the Company may issue and sell shares of its common stock from time to time through Stifel as the Company's sales agent. Sales of the Company's common stock through Stifel, if any, will be made by any method that is deemed to be an "at-the-market" equity offering as defined in Rule 415 promulgated under the Securities Act of 1933. On March 25, 2021, the Company filed a new shelf registration statement on Form S-3, registering the sale of up to \$75 million of the Company's securities, which registration statement was declared effective on April 5, 2021.

The Company records its ATM sales on a settlement date basis. The Company sold approximately 0.6 million shares under the ATM for the three and nine months ended September 30, 2021 resulting in net proceeds of approximately \$3.4 million. For the three and nine months ended September 30, 2020, the Company sold approximately 0.6 million shares and 1.1 million shares under the ATM, respectively, resulting in net proceeds of approximately \$2.5 million and \$5.1 million, respectively.

Preferred Stock Equity Offerings

Series A Preferred Stock - Securities Purchase Agreement

On August 2, 2016, the Company issued 1,020,000 shares of newly created Non-Voting Series A Convertible Preferred Stock (the “Series A Preferred Stock”) to General International Holdings, Inc. for \$2.8 million or approximately \$2.75 per share. Dividends accrue on the Series A Preferred Stock at the rate of 7% per year and will be paid in-kind through an increase in the liquidation preference per share. The liquidation preference, initially \$2.7451 per share of Series A Preferred Stock, is the base that is also used to determine the number of common shares into which the Series A Preferred Stock will convert as well as the calculation of the 7% dividend. Each share of Series A Preferred Stock is convertible at the option of the holder into such number of shares of the Company’s common stock equal to the liquidation preference divided by the conversion price of \$32.94 per share subject to adjustments in the case of stock splits and stock dividends.

Holders of the Series A Preferred Stock are also entitled to participating dividends whenever dividends in cash, securities (other than shares of the Company’s common stock) or property are paid on common shares. The amount of the dividends is the amount to which the holder would be entitled if all shares of Series A Preferred Stock had been converted to common stock immediately prior to the record date.

The Company has the option of forcing the conversion of the Series A Preferred Stock if the trading price for the Company’s common stock is more than two times the applicable conversion price (approximately \$32.94 per share) before August 2, 2019, or if the trading price is more than three times the applicable conversion price. The Company has not forced the conversion of any of the outstanding Series A Preferred Stock during the nine months ended September 30, 2021 and 2020 and from the date of issuance.

The Series A Preferred Stock was initially convertible into 1,020,000 shares of common stock (now convertible into 85,000 common shares when adjusted for the one-for-twelve reverse stock split on October 21, 2019). The average of the high and low market prices of the common stock on August 6, 2016, the date of the closing of the sale of the Series A Preferred Stock, was approximately \$39.78 per share. At \$39.78 per share the common stock into which the Series A Preferred Stock was initially convertible was valued at approximately \$3.4 million. This amount was compared to the \$2.8 million of proceeds of the Series A Preferred Stock to indicate that a beneficial conversion feature (“BCF”) of approximately \$0.6 million existed at the date of issuance in 2016, which was immediately accreted as a deemed dividend because the conversion rights were immediately effective.

Additionally, comparison of the \$2.7451, original conversion price of the PIK dividends prior to the one-for-twelve reverse stock split on October 21, 2019, to the \$.315 commitment date fair value per share indicates that each PIK dividend will accrete \$0.5699 of BCF as an additional deemed dividend for every \$2.7451 of PIK dividend accrued. Total deemed dividends for this PIK dividend for the three months ended September 30, 2021 and 2020 were approximately \$10,000 and \$10,000, respectively and for each of the nine months ended September 30, 2021 and 2020 were approximately \$29,000 and \$28,000, respectively.

The holders of the Series A Preferred Stock have no voting rights. In addition, as long as 255,000 shares of Series A Preferred Stock are outstanding, the Company may not take certain actions without first having obtained the affirmative vote or waiver of the holders of a majority of the outstanding shares of Series A Preferred Stock. The Company has the option at any time after August 2, 2019 to redeem some or all of the outstanding Series A Preferred Stock for an amount in cash equal to the liquidation preference plus the amount of any accrued but unpaid dividends of the Series A Preferred Stock being redeemed. The holders of the Series A Preferred Stock do not have the ability to require the Company to redeem the Series A Preferred Stock. The Company has not redeemed any of the outstanding Series A Preferred Stock during the nine months ended September 30, 2021 and 2020 and from the date of issuance.

On April 8, 2021, the holder of the Series A Preferred Shares converted 16,026 preferred shares into 1,846 common shares.

On August 31, 2021, the holder of the Series A Preferred Shares converted 20,085 preferred shares into 2,382 common shares.

During the year ended December 31, 2020, the holder of the Series A Preferred Shares converted a total of 57,892 preferred shares into 6,327 common shares.

The accumulated PIK dividends at September 30, 2021 and December 31, 2020 was approximately \$0.8 million and \$0.7 million, respectively. The Series A Preferred Shares outstanding as of September 30, 2021 and December 31, 2020 were 663,767 shares and 699,878 shares, respectively, with an aggregate liquidation preference of approximately \$2.6 million and \$2.6 million, including the accumulated dividends at September 30, 2021 and December 31, 2020, respectively.

Series B Preferred Stock - Securities Purchase Agreement

On January 30, 2018, the Company issued 2,666,667 shares of newly created Non-Voting Series B Convertible Preferred Stock (the “Series B Preferred Stock”) and associated warrants to purchase up to 55,555 shares of the Company’s common stock to the several purchasers for approximately \$4.0 million or approximately \$1.50 per share of Series B Preferred Stock and associated warrant. Dividends accrue on the Series B Preferred Stock at the rate of 7% per year and will be paid in-kind through an increase in the liquidation preference per share. The liquidation preference, initially \$1.50 per share of Series B Preferred Stock, is the base that is also used to determine the number of common shares into which the Series B Preferred Stock will convert as well as the calculation of the 7% dividend. Each share of Series B Preferred Stock is convertible at the option of the holder into such number of shares of the Company’s common stock equal to the liquidation preference divided by the conversion price of \$18 per share subject to adjustments in the case of stock splits and stock dividends.

Holders of the Series B Preferred Stock are also entitled to participating dividends whenever dividends in cash, securities (other than shares of the Company’s common stock paid on shares of common stock) or property are paid on common shares or shares of Series A Preferred Stock (as defined below). The amount of the dividends will equal the amount to which the holder would be entitled if all shares of Series B Preferred Stock had been converted to common stock immediately prior to the record date.

The holders of the Series B Preferred Stock have no voting rights. In addition, as long as the shares of Series B Preferred Stock are outstanding, the Company may not take certain actions without first having obtained the affirmative vote or waiver of the holders of a majority of the outstanding shares of Series B Preferred Stock. The Company has the option at any time after August 2, 2019 to redeem some or all of the outstanding Series B Preferred Stock for an amount in cash equal to the liquidation preference plus the amount of any accrued but unpaid dividends of the Series B Preferred Stock being redeemed. The holders of the Series B Preferred Stock do not have the ability to require the Company to redeem the Series B Preferred Stock.

The Company has not redeemed any of the outstanding Series B Preferred Stock during the three and nine months ended September 30, 2021 and 2020 and from the date of issuance.

The Company has the option of forcing the conversion of all or part of the Series B Preferred Stock if at any time the average closing price of the Company’s common stock for a thirty-trading day period is greater than \$65.88 prior to August 2, 2019 or greater than \$98.82 at any time. The Company can exercise this option only if it also requires the conversion of the Series A Preferred Stock in the same proportion as it is requiring of the Series B Preferred Stock. The Company did not force the conversion of any of the outstanding Series B Preferred Stock during the nine months ended September 30, 2021 and 2020.

Of the \$4.0 million proceeds, approximately 0.3 million was allocated to the warrants with the remaining \$3.7 million allocated to the Series B Preferred Stock. The Series B Preferred Stock was initially convertible into 2,666,667 shares of common stock (now convertible into 222,222 shares of common stock when adjusted for the one-for-twelve reverse stock split on October 21, 2019). The average of the high and low market prices of the common stock on January 30, 2018, the date of the closing of the sale of the preferred stock, was approximately \$28.08 per share. At \$28.08 per share the common stock into which the Series B Preferred Stock was initially convertible was valued at approximately \$6.2 million. This amount was compared to the \$3.7 million (rounded) of proceeds allocated to the Series B Preferred Stock to indicate that a BCF of approximately \$2.6 million existed at the date of issuance, which was immediately accreted as a deemed dividend because the conversion rights were immediately effective.

Additionally, comparison of the original \$1.50 conversion price prior to the one-for-twelve reverse stock split on October 21, 2019 of the PIK dividends to the \$2.34 commitment date fair value per share on January 30, 2018 indicates that each PIK dividend will accrete 0.84 of BCF as an additional deemed dividend for every \$1.50 of PIK dividend accrued. Total deemed dividends for this PIK dividend for the three months ended September 30, 2021 and 2020 were approximately \$50,000 and \$46,000, respectively and for the nine months ended September 30, 2021 and 2020 were approximately \$147,000 and \$137,000, respectively.

The accumulated PIK dividends (unpaid) at September 30, 2021 and December 31, 2020 were approximately \$1.2 million and \$0.9 million, respectively. The Series B Preferred Shares outstanding as of September 30, 2021 and December 31, 2020 was 2,666,667 shares with an aggregate liquidation preference of approximately \$5.2 million and \$4.9 million, including the accumulated dividends at September 30, 2021 and December 31, 2020, respectively.

Warrants

The Company's outstanding warrants at September 30, 2021 and December 31, 2020 are below. These warrants are classified within equity on the unaudited condensed consolidated balance sheets.

| <i>Outstanding Warrants</i> | September 30, 2021 | December 31, 2020 |
|---|-------------------------------|------------------------------|
| Issued to Investors on October 25, 2013, entitling the holders to purchase 20,833 common shares in the Company at an exercise price of \$138.00 per common share up to and including April 24, 2021. In 2016, 4,954 of these warrants were exchanged for common stock, and all remaining warrant holders agreed to new warrant terms, which excluded any potential net cash settlement provisions in exchange for a reduced exercise price of \$75.00 per share (warrants expired). | - | 13,665 |
| Issued to Investors on November 17, 2014, entitling the holders to purchase 45,577 common shares in the Company at an exercise price of \$138.60 per common share up to and including May 16, 2022. On June 30, 2016, the warrant holders agreed to new warrant terms, which excluded any potential net cash settlement provisions in order to classify them as equity in exchange for a reduced exercise price of \$75.00 per share. | 45,577 | 45,577 |
| Issued to an investment bank and subsequently transferred to a principal of the investment bank regarding the Series B Preferred Stock investment on January 30, 2018, entitling the holder to purchase 11,119 common shares in the Company at an exercise price of \$18.00 per share, up to and including January 30, 2021 (warrants expired). | - | 11,119 |
| Total | 45,577 | 70,361 |

Stock-based Compensation – Stock Options

Adoption of 2020 Stock Plan

On March 9, 2020, the Board of Directors adopted the Company's 2020 Omnibus Incentive Plan (the "2020 Plan"). On September 3, 2020, the shareholders approved the 2020 Plan to authorize grants of the following types of awards (a) Options, (b) Stock Appreciation Rights, (c) Restricted Stock and Restricted Stock Units ("RSUs"), and (d) Other Stock-Based and Cash-Based Awards. On June 28, 2021, the Company's shareholders voted to amend the 2020 Plan to increase the number of shares available for award under the 2020 Plan to 650,000 shares available for grant from 350,000 shares.

On October 28, 2020, the Compensation Committee of the Board granted from the 2020 Plan time-based RSUs to certain of the Company's executive officers, employees, and consultants. Each RSU represents a contingent right to receive, upon vesting, one share of the Company's Common Stock. The number of RSUs granted to executive officers, employees and consultants totalled 243,800 shares. These RSU awards vest in three equal instalments on each of the first three annual anniversaries of the grant date, on October 28, 2021, October 28, 2022 and October 28, 2023. These RSU awards were valued at approximately \$656,000, based on the opening price of the Company's stock on October 28, 2020 at \$2.69 per share.

On October 28, 2020, the Compensation Committee of the Board approved a grant of a total of 21,200 shares of common stock to the Company's four directors. The Company filed a Form S-8 with the SEC, to register the underlying shares of the 2020 Plan on March 25, 2021. All of these common shares were issued on March 31, 2021 and vested immediately upon issuance.

During the nine months ended September 30, 2021, the Company issued 58,164 stock options to consultants and 7,382 common shares were issued to our investor relations consultant. The 2021 options issued for the consultants of the Company were assigned a fair value ranging from \$2.08 per share to \$4.75 per share (total fair value of \$150,000). The value was determined using Black-Scholes pricing model. The following assumptions were used in the Black-Scholes pricing model:

| | |
|--|---------------------|
| Expected volatility | 95.15% to 131.85% |
| Risk free interest rate | 0.06% to 0.93% |
| Dividend yield rate | 0 |
| Weighted average years | 1-6 years |
| Closing price per share – common stock | \$ \$4.55 to \$6.51 |

[Table of Contents](#)

The components of stock-based compensation expense included in the Company's unaudited condensed consolidated statements of operations for the three months and nine months ended September 30, 2021 and 2020 are as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|------------|---------------------------------|----------|
| | 2021 | 2020 | 2021 | 2020 |
| General and administrative expenses | \$ 54,000 | \$ (4,000) | \$ 301,000 | \$ 8,000 |
| Total stock-based compensation expense | \$ 54,000 | \$ (4,000) | \$ 301,000 | \$ 8,000 |

Stock option transactions to the employees, directors and consultants are summarized as follows for the nine months ended September 30, 2021:

| | Options Outstanding | Weighted Average Exercise Price | Weighted Average Grant Date Fair Value |
|---|---------------------|---------------------------------|--|
| Beginning of the period – January 1, 2021 | 515,847 | \$ 20.23 | \$ 14.51 |
| Granted | 58,164 | 6.72 | 2.58 |
| Exercised | - | - | - |
| Forfeited | (3,997) | 62.52 | 43.63 |
| Expired | (1,019) | 329.81 | 291.73 |
| End of the period – September 30, 2021 | 568,995 | \$ 18.00 | \$ 12.59 |
| Options exercisable | 557,229 | \$ 18.26 | \$ 12.77 |

A summary of the status of the Company's non-vested options as of September 30, 2021 and December 31, 2020, and changes during the year ended December 31, 2020 and the nine months ended September 30, 2021, is presented below:

| | Shares | Weighted Average Exercise Price | Weighted Average Fair Value Grant Date |
|---------------------------------|----------|---------------------------------|--|
| Non-vested – December 31, 2019 | 84,873 | 10.73 | 5.15 |
| Granted | 7,634 | 4.45 | 3.28 |
| Vested | (41,552) | 10.80 | 8.29 |
| Forfeited | (1,229) | 10.80 | 8.33 |
| Non-vested – December 31, 2020 | 49,726 | 9.71 | 7.44 |
| Granted | 58,164 | 6.72 | 2.58 |
| Vested | (96,124) | 8.40 | 4.89 |
| Forfeited | - | - | - |
| Non-vested – September 30, 2021 | 11,766 | 5.71 | 4.25 |

The above tables include options issued and outstanding as of September 30, 2021 as follows:

- i. A total of 362,908 incentive stock options and non-qualified 10-year options have been issued, and are outstanding, to the directors, officers, and employees at exercise prices of \$3.82 to \$75.60 per share. From this total, 127,299 options are held by the Chief Executive Officer, who is also a director, with remaining contractual lives of 3.5 years to 8.2 years. All other options issued to directors, officers, and employees have a remaining contractual life ranging from 3.5 years to 8.2 years.
- ii. A total of 206,087 non-qualified 1 to 10-year options have been issued, and are outstanding, to consultants at exercise prices of \$3.82 to \$75.60 per share and have a remaining contractual life ranging from 0.5 years to 9.9 years.

[Table of Contents](#)

As of September 30, 2021, there was approximately \$48,000 of total unrecognized compensation cost related to non-vested stock options granted under the plans. That cost is expected to be recognized over a weighted-average period of approximately 2.26 years. For stock options outstanding at September 30, 2021 and December 31, 2020, the intrinsic value was approximately \$88,000 and \$33,000, respectively. For those vested stock options at September 30, 2021 and December 31, 2020, the intrinsic value was approximately \$88,000 and \$33,000, respectively.

The following table provides certain information with respect to the above-referenced stock options that were outstanding and exercisable at September 30, 2021:

| Exercise Prices | Stock Options Outstanding | | | Stock Options Vested | | |
|------------------|---|------------------------|--|---|------------------------|--|
| | Weighted Average Remaining Contractual Life -Years | Number of Awards | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life -Years | Number of Awards | Weighted Average Exercise Price |
| \$ 3.82-\$9.00 | 5.59 | 150,479 | \$ 5.10 | 5.28 | 138,713 | \$ 5.05 |
| \$ 9.01-\$12.48 | 6.85 | 132,864 | \$ 10.80 | 6.85 | 132,864 | \$ 10.80 |
| \$ 12.49-\$24.00 | 5.38 | 199,790 | \$ 14.19 | 5.38 | 199,790 | \$ 14.19 |
| \$ 24.01-\$72.00 | 3.97 | 62,771 | \$ 55.07 | 3.97 | 62,771 | \$ 55.07 |
| \$ 72.01-\$75.60 | 3.40 | 23,091 | \$ 75.59 | 3.40 | 23,091 | \$ 75.59 |
| Total | 5.55 | <u>568,995</u> | \$ 18.00 | 5.47 | <u>557,229</u> | \$ 18.26 |

Restricted Stock Awards Outstanding

The following summarizes our RSUs activity:

| | Number of Shares | Weighted Average Grant Date Fair Value |
|---|------------------------|---|
| Total awards outstanding at January 1, 2021 | 243,800 | \$ 2.69 |
| Total shares granted | — | \$ — |
| Total shares vested | — | \$ — |
| Total shares forfeited | (7,950) | \$ 2.69 |
| Total unvested shares outstanding at September 30, 2021 | <u>235,850</u> | <u>\$ 2.69</u> |

Scheduled vesting for outstanding RSUs awards at September 30, 2021 is as follows:

| | Year Ending December 31, | | | |
|-------------------|--------------------------|---------------|---------------|----------------|
| | 2021 | 2022 | 2023 | Total |
| Scheduled vesting | <u>78,617</u> | <u>78,616</u> | <u>78,617</u> | <u>235,850</u> |

At September 30, 2021, there was approximately \$439,000 of net unrecognized compensation cost related to unvested RSUs compensation arrangements. This compensation is recognized on a straight-line basis resulting in approximately \$212,000 of compensation expected to be expensed over the next twelve months, and the total unrecognized stock-based compensation expense having a weighted average recognition period of 2.07 years.

Note 7 – Subsequent Events

Exchange of Series A Convertible Preferred Stock for Common Shares

On October 29, 2021, the Company entered into an exchange agreement with General International Holdings, Inc., the holder of all of the outstanding Series A Preferred Stock, pursuant to which General International Holdings, Inc. delivered to the Company all of the outstanding Series A Preferred Stock in exchange for 262,910 shares of the Company's common stock, without any cash payments by either party. The exchange was effected without registration under the Securities Act of 1933, as amended, pursuant to the exemption from registration set forth in Section 3(a)(9) of the Securities Act.

Accelerated Vesting of Outstanding RSUs

On October 28, 2021 the first tranche of RSUs scheduled to vest, or 78,617 of total outstanding RSUs vested, with a remaining total of 157,233 RSUs to vest straight-line over the next two years. On November 4, 2021, the Compensation Committee of the Board of Directors approved the accelerated vesting of these remaining RSUs, with vesting of these remaining RSUs to take place on December 15, 2021.

FORWARD-LOOKING STATEMENTS

In addition to historical information, this report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. We use words such as “believe”, “expect”, “anticipate”, “project”, “target”, “plan”, “optimistic”, “intend”, “aim”, “will”, or similar expressions, which are intended to identify forward-looking statements. Such statements include, among others:

- those concerning market and business segment growth, demand, and acceptance of our nuclear fuel technology and other steps to commercialization of Lightbridge Fuel™;
- any projections of sales, earnings, revenue, margins, or other financial items;
- any statements of the plans, strategies, and objectives of management for future operations and the timing and outcome of the development of our nuclear fuel technology;
- any statements regarding future economic conditions or performance;
- uncertainties related to conducting business in foreign countries;
- any statements about future financings and liquidity
- the Company’s anticipated financial resources and position; and
- all assumptions, expectations, predictions, intentions, or beliefs about future events and other statements that are not historical facts

You are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, as well as assumptions that if they were to ever materialize or prove incorrect, could cause the results of the Company to differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties, among others, include:

- our ability to commercialize our nuclear fuel technology, including risks related to the design and testing of nuclear fuel incorporating our technology and the degree of market adoption of the Company’s product and service offerings;
- dependence on strategic partners;
- our ability to fund general corporate overhead and outside research and development costs;
- the demand for fuel for nuclear reactors, including small modular reactors, and our ability to attract new customers;
- our ability to manage the business effectively in a rapidly evolving market;
- 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, including from accident tolerant fuels;
- the availability of nuclear test reactors and the risks associated with unexpected changes in our nuclear fuel development timeline;
- the increased costs associated with metallization of our nuclear fuel;
- risks associated with the further spread and uncertainty of COVID-19, including the ultimate impact of COVID-19 on people, economies, our ability to access capital markets, the Company’s financial position, results of operations or liquidity;
- public perception of nuclear energy generally;

- changes in laws, rules, and regulations governing our business;
- changes in the political environment;
- development and utilization of, and challenges to, our intellectual property;
- the risks associated with potential shareholder activism;
- potential and contingent liabilities; and
- the other risks identified in Item 1A. Risk Factors included in our Annual report on Form 10-K for the year ended December 31, 2020.

Most of these factors are beyond our ability to predict or control and you should not put undue reliance on any forward-looking statement. Future events and actual results could differ materially from those set forth in, contemplated by or underlying the forward-looking statements. Forward-looking statements speak only as of the date on which they are made. The Company assumes no obligation and does not intend to update these forward-looking statements for any reason after the date of the filing of this report, to conform these statements to actual results or to changes in our expectations, except as required by law.

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

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

This MD&A consists of the following sections:

- Overview of Our Business and recent developments — a general overview of our business and updates;
- Critical Accounting Policies and Estimates — a discussion of accounting policies that require critical judgments and estimates;
- Operations Review — an analysis of our condensed consolidated results of operations for the periods presented in our condensed consolidated financial statements; and
- Liquidity, Capital Resources, and Financial Position — an analysis of our cash flows, and an overview of our financial position.

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

OVERVIEW OF OUR BUSINESS

When used in this Quarterly Report on Form 10-Q, the terms "Lightbridge", the "Company", "we", "our", and "us" refer to Lightbridge Corporation together with its wholly-owned subsidiaries Lightbridge International Holding LLC and Thorium Power Inc. Lightbridge's principal executive offices are located at 11710 Plaza America Drive, Suite 2000, Reston, Virginia 20190 USA.

Overview

At Lightbridge we are developing the next generation of nuclear fuel to impact in a meaningful way the world's climate and energy problems. Our nuclear fuel could significantly improve the economics, safety, and proliferation resistance of nuclear fuel in existing and new nuclear reactors, large and small, with a meaningful impact on addressing climate change and air pollution, all while benefiting national security. We project that the world's energy and climate needs can only be met if nuclear power's share of the energy-generating mix grows substantially in the coming decades. We are developing our nuclear fuel to enable that to happen. In particular, we are focusing on the potential for large numbers of small modular reactors (SMRs) that we believe can benefit from our fuel with improved economics and load following when included on an electric grid with renewables. Today, there are 444 operable nuclear power reactors worldwide. We expect slow net growth in this number as old reactors close and fewer new large reactors are built, due to the inherent challenges facing new build large reactors, including regulatory and political challenges, financings, and the ability for large reactors to be profitable without running almost constantly.

We believe our metallic fuel will offer significant economic and safety benefits over traditional fuel, primarily because of the superior heat transfer properties of all-metal fuel and the resulting lower operating temperature of the fuel. We also believe that uprating a reactor with Lightbridge Fuel™ will add incremental electricity at a lower levelized cost than any other means of generating baseload electric power, including any renewable, fossil, or hydroelectric energy source, or any traditional nuclear fuel.

Emerging nuclear technologies that many in the industry believe have the potential to generate significant amounts of power include SMRs, which are now in the development and licensing phases. We expect that Lightbridge Fuel™ can provide SMRs with all the benefits our technology brings to large reactors, with the benefits being more meaningful to the economic case for deployment of SMRs. Lightbridge Fuel™ is expected to generate more power in SMRs than traditional nuclear fuels, which will help decarbonize sectors that are now powered by fossil fuels. We also plan to explore using Lightbridge Fuel™ in new SMRs to produce hydrogen for liquid non-carbon fuels for use in hard-to-decarbonize sectors such as aviation and shipping. Our ongoing research and development (R&D) initiatives are entirely compatible with Lightbridge Fuel™ powering SMRs for multiple purposes. The first SMRs that could use our fuel are expected to begin operations in 2029.

We have built a significant portfolio of patents reflecting years of R&D, and we anticipate testing of our fuel through third party vendors and others, including the United States Department of Energy (DOE) national laboratories. Currently, we are doing all of our R&D activities with the U.S. national laboratories and are planning contracts for additional future scopes of work.

Development of Lightbridge Fuel™

Recent Developments

- On May 11, 2021, we announced successful demonstration of the manufacturing process for three-lobe, six-foot rods using surrogate materials. This demonstration of Lightbridge's proprietary manufacturing process uses an internally developed and patented high-temperature coextrusion process. The six-foot length of the surrogate rods is the typical length of the fuel rods used by many SMRs now in development and licensing. Future fabrication of high-assay low-enriched uranium (HALEU) rodlets for loop irradiation testing in the Advanced Test Reactor, and ultimately commercial length HALEU fuel rods, will use similar processing techniques to create Lightbridge Fuel™. Performing fabrication development activities with surrogate materials allows Lightbridge to use a broader range of suppliers and is a cost-effective approach as it does not require uranium material.
- On March 25, 2021, the Company was awarded a second voucher from the DOE's GAIN program to support development of Lightbridge Fuel™ in collaboration with the Pacific Northwest National Laboratory (PNNL). The scope of the project is to demonstrate Lightbridge's nuclear fuel casting process using depleted uranium, a key step in the manufacture of Lightbridge Fuel™. On July 14, 2021, the Company executed a Cooperative Research and Development Agreement (CRADA) with the Battelle Memorial Institute, Pacific Northwest Division, the operating contractor of the PNNL, in collaboration with the DOE. The project commenced in the third quarter of 2021 and is expected to be completed by the third quarter of 2022. The total project value is approximately \$663,000, with three-quarters of this amount funded by DOE for the scope performed by PNNL.
- We were awarded a GAIN voucher by the DOE in 2019 for the experiment design for irradiation of material samples of Lightbridge Fuel™ in the Advanced Test Reactor (ATR) at Idaho National Laboratory (INL). On April 22, 2020, we entered into a CRADA with Battelle Energy Alliance, LLC (BEA), the DOE's operating contractor at INL. The project commenced in the second quarter of 2020 and was originally expected to be completed in the second quarter of 2021. However, because of project staffing issues at INL related to the laboratory's COVID-19 restrictions and U.S. export control matters, the project was completed during the third quarter of 2021. INL is currently in the process of documenting the final close-out of this project.
- We expanded our patent portfolio by successfully obtaining three new patents in 2021, in the United States and other key foreign countries. The new patents will help safeguard the Company's intellectual property, which is an integral component of the Company's plans to monetize the Lightbridge Fuel™ technology.

Information regarding our fuel development strategy and timelines is included in Part II, *Item 7. Management Discussion and Analysis of Financial Condition and Results of Operations*, in our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the Securities and Exchange Commission, or SEC, on March 25, 2021.

Impact of COVID-19 to our Business

The recent COVID-19 pandemic has impacted our business operations and results of operations for the nine months ended September 30, 2021 and year ended December 31, 2020, resulting in the reduction of our R&D expenses and an increase in our general and administrative expenses due to severance payments made to former employees. The future impacts of the COVID-19 pandemic, including the emergence and spread of variant strains of the virus, on our financial position, results of operations and future liquidity and capital resources availability is unknown and uncertain.

In an effort to protect the health and safety of our employees, we took proactive, aggressive action from the earliest signs of the outbreak in China, including working from home and suspending employee travel. In an effort to contain COVID-19 or slow its spread, governments around the world have also enacted various measures, including orders to close all businesses not deemed "essential," isolate residents to their homes or places of residence, and practice social distancing when engaging in essential activities. However, the effects of the pandemic are fluid and changing rapidly, including with respect to vaccine and treatment developments and deployment and potential mutations of COVID-19.

We will continue to actively monitor the COVID-19 situation and may take further actions altering our business operations that we determine are in the best interests of our employees and stakeholders, or as required by federal, state, or local authorities. It is not clear what the potential effects any such alterations or modifications may have on our financial position, results of operations or liquidity, including the effects on our employees and future prospects, including our R&D activities for fiscal 2021 and beyond.

Future Potential Collaborations and Other Opportunities

In the ordinary course of business, we engage in periodic reviews of opportunities to invest in or acquire companies or units within companies to leverage operational synergies and establish new streams of revenue. We will be opportunistic in this regard and may also partner or contract with entities in nuclear that could be synergistic to our fuel business or present an attractive growth opportunity in the clean technology space.

Settlement of Arbitration

On February 11, 2021, the Company entered into a settlement agreement (the “Settlement Agreement”) with Framatome SAS and Framatome Inc. (together, “Framatome”), resolving the pending claims and counterclaims between the parties in arbitration and judicial proceedings related to the parties’ inactive joint venture, Enfission, LLC. Under the terms of the Settlement Agreement, all joint venture agreements were terminated, and the joint venture was dissolved on March 23, 2021. Lightbridge paid Framatome on March 15, 2021, approximately \$4.2 million for outstanding invoices for work performed by Framatome and other expenses incurred by Framatome.

Mediation Settlement

A former Chief Financial Officer of the Company filed a complaint against the Company with the US Occupational Safety and Health Administration (“OSHA”) on March 9, 2015. The complaint was mediated on May 13, 2021 and the parties subsequently reached an agreement to resolve all claims for the total monetary sum of approximately \$675,000 in exchange for a dismissal of the pending litigation, full release of all claims against the Company, and other conditions. On July 13, the settlement agreement was finalized by both parties and the Company applied for court approval by the administrative law judge (OALJ) assigned to this matter. The settlement was approved by the OALJ on July 22, 2021. The Company made the settlement payment and the insurers reimbursed the Company for the settlement payment. The case was final and conclusive.

Availability of Suitable test Loops in the ATR

After the Halden research reactor was shut down in 2018, we embarked on a global search for an alternative for loop irradiation testing of our metallic fuel rods. Ultimately, we settled on the ATR at INL and applied to DOE for and won a GAIN Voucher in December 2019 to kick off our initial collaboration with the U.S. national laboratory complex. Our initial understanding was that we would have access to a government-funded PWR water test loop in the ATR to generate sufficient data to support our lead test assembly (LTA) testing and potentially eliminate the need for lead test rod (LTR) testing in a large commercial reactor. However, the ATR currently has only one such test loop available, limiting how much fuel can be tested in the reactor concurrently. We believe that INL could add two additional test loops, which we have determined to be an unmanageable cost for Lightbridge. We plan to work with the government and industry to increase the ATR’s test loops capacity without Lightbridge paying for them. We believe we have strong arguments for the government to pay most of the cost for the additional test loops.

If new test loops are not added to the ATR, loop irradiation testing in the ATR may not provide sufficient data to justify regulatory approval for LTA testing in a large commercial PWR in a commercially feasible timeframe. This would likely necessitate an extra fuel development step of LTR testing in a large commercial PWR in addition to the ATR loop testing before LTA testing could commence. As a result, our fuel development timelines would be extended to 15-20 years before securing our first orders for batch reloads in large commercial PWRs. Consequently, the projected fuel development costs would increase substantially, making it unfeasible for Lightbridge to fund this fuel development effort on our own.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make a variety of estimates and assumptions that affect (i) the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and (ii) the reported amounts of revenues and expenses during the reporting periods covered by the financial statements. For a discussion of the accounting judgments and estimates that we have identified as critical in the preparation of our financial statements, please see “Critical Accounting Policies and Estimates” under Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on March 25, 2021. There have been no significant changes in our critical accounting policies and estimates during the nine months ended September 30, 2021.

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

Recent Accounting Standards and Pronouncements

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

OPERATIONS REVIEW

Financial information is included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Condensed Consolidated Results of Operations – Three Months Ended September 30, 2021 and 2020

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

| | Three months Ended September 30, | | Increase (Decrease) Change \$ | Increase (Decrease) Change % |
|------------------------------|-------------------------------------|----------------|-------------------------------------|------------------------------------|
| | 2021 | 2020 | | |
| Operating Expenses | | | | |
| General and administrative | \$ 1,763,060 | \$ 2,835,471 | \$ (1,072,411) | (38)% |
| Research and development | \$ 439,630 | \$ 261,898 | \$ 177,732 | 68% |
| Total Operating Expenses | \$ 2,202,690 | \$ 3,097,369 | \$ (894,679) | (29)% |
| Other Operating Income | | | | |
| Grant income | \$ 288,884 | \$ 29,662 | \$ 259,222 | 874% |
| Total Other Operating Income | \$ 288,884 | \$ 29,662 | \$ 259,222 | 874% |
| Total Operating Loss | \$ (1,913,806) | \$ (3,067,707) | \$ (1,153,901) | (38)% |
| Other Income | \$ 1,551 | \$ 4,645 | \$ (3,094) | (67)% |
| Net Loss | \$ (1,912,255) | \$ (3,063,062) | \$ (1,150,807) | (38)% |

Operating Expenses

General and Administrative Expenses

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 legal, audit, strategic advisory services, and outsourcing services.

Total general and administrative expenses decreased by approximately \$1.1 million for the three months ended September 30, 2021, as compared to the three months ended September 30, 2020. There was a decrease in professional fees of approximately \$1.4 million primarily due to a decrease in the legal and professional fees relating to the Framatome arbitration. These decreases were offset by an increase of approximately \$0.3 million in employee compensation primarily due to an increase in the bonus accrual for 2021.

Research and Development

Research and development expenses consist primarily of compensation and related fringe benefits including stock-based compensation and related allocable overhead costs for the research and development of our fuel, including work performed.

Total research and development expenses increased by approximately \$0.2 million for the three months ended September 30, 2021, as compared to the three months ended September 30, 2020, due to an increase of approximately \$0.2 million in outside research and development work with the DOE's National Laboratories related to the GAIN vouchers. All other R&D expenses for the three months ended September 30, 2021 and the three months ended September 30, 2020 were consistent period over period.

We are working with the U.S. National Laboratories for research and development activities and are planning contracts for additional future scopes of work. Due to the nature of our R&D expenditures, cost and schedule estimates are inherently uncertain and can vary significantly as new information and the outcome of these R&D activities become available. We have budgetary constraints due primarily to the uncertainty of future liquidity and capital resources available to us to conduct our future R&D activities.

Other Operating Income

Grant income increased approximately \$0.3 million for the three months ended September 30, 2021, as compared to the three months ended September 30, 2020, with a corresponding amount charged to R&D expenses primarily associated with the work performed by the INL for the experiment design for irradiation of material samples of Lightbridge Fuel™ in the Advanced Test Reactor. This project was completed in third quarter of 2021.

Other Income

There was a decrease in other income due to a decrease in interest income generated from the interest earned from the purchase of treasury bills and from our bank savings account for the three months ended September 30, 2021, as compared to the three months ended September 30, 2020.

Condensed Consolidated Results of Operations – Nine Months Ended September 30, 2021 and 2020

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

| | Nine months Ended September 30, | | Increase (Decrease) Change \$ | Increase (Decrease) Change % |
|---------------------------------|------------------------------------|----------------|-------------------------------------|------------------------------------|
| | 2021 | 2020 | | |
| Operating Expenses | | | | |
| General and administrative | \$ 5,061,820 | \$ 6,800,892 | \$ (1,739,072) | (26)% |
| Research and development | \$ 1,082,394 | \$ 767,498 | \$ 314,896 | 41% |
| Total Operating Expenses | \$ 6,144,214 | \$ 7,568,390 | \$ (1,424,176) | (19)% |
| Other Operating Income | | | | |
| Distribution from joint venture | \$ 110,000 | \$ — | \$ 110,000 | —% |
| Grant income | \$ 459,997 | \$ 29,662 | \$ 430,335 | 1,451% |
| Total Other Operating Income | \$ 569,997 | \$ 29,662 | \$ 540,335 | 1,822% |
| Total Operating Loss | \$ (5,574,217) | \$ (7,538,728) | \$ (1,964,511) | (26)% |
| Other Income | \$ 39,876 | \$ 79,474 | \$ (39,598) | (50)% |
| Net Loss | \$ (5,534,340) | \$ (7,459,254) | \$ (1,924,914) | (26)% |

Operating Expenses

General and Administrative Expenses

Total general and administrative expenses decreased by approximately \$1.7 million for the nine months ended September 30, 2021, as compared to the nine months ended September 30, 2020. There was a decrease in professional fees of approximately \$1.9 million primarily due to a decrease in the legal and professional fees relating to the Framatome arbitration and a decrease in patent expense of approximately \$0.1 million. These decreases were offset by an increase of approximately \$0.2 million in consulting fees and approximately \$0.1 million in insurance expense.

Research and Development

Total R&D expenses for the nine months ended September 30, 2021, increased by approximately \$0.3 million for the nine months ended September 30, 2021, as compared to the nine months ended September 30, 2020. There was an increase of approximately \$0.5 million in outside research and development work with the DOE's National Laboratories related to the GAIN voucher and an increase of approximately \$0.1 million in patent expense. These increases were offset by a decrease in employee compensation and employee benefits of approximately \$0.3 million. All other R&D expenses for the nine months ended September 30, 2021 and the nine months ended September 30, 2020 were consistent period over period.

Due to the nature of our R&D expenditures, cost and schedule estimates are inherently uncertain and can vary significantly as new information and the outcome of these R&D activities become available.

Other Operating Income

There was an increase in the anticipated distribution from our dissolved joint venture of approximately \$0.1 million for the nine months ended September 30, 2021, as compared to the nine months ended September 30, 2020. This increase is due to an anticipated final distribution from the joint venture after the dissolution and wind-down of the affairs of the joint venture.

Grant income increased approximately \$0.4 million for the nine months ended September 30, 2021, as compared to the nine months ended September 30, 2020, with a corresponding amount charged to R&D expenses primarily associated with the work performed by the INL for the experiment design for irradiation of material samples of Lightbridge Fuel™ in the Advanced Test Reactor. This project was completed in third quarter of 2021.

Other Income

There was a decrease in other income due to a decrease in interest income generated from the interest earned from the purchase of treasury bills and from our bank savings account for the nine months ended September 30, 2021, as compared to the nine months ended September 30, 2020. This decrease was offset by a foreign currency transaction gain recorded relating to the settlement payment to Framatome.

LIQUIDITY, CAPITAL RESOURCES AND FINANCIAL POSITION

Liquidity Outlook

Our cash requirements for the future planned operations to commercialize our nuclear fuel, including any additional expenditures that may result from unexpected developments, requires us to raise significant additional capital, including receiving government support. Our cash balance at September 30, 2021 does not exceed our current anticipated expenditures through the third quarter of 2022.

At September 30, 2021, we had cash and cash equivalents of approximately \$16.1 million, as compared to approximately \$21.5 million at December 31, 2020, a decrease of approximately \$5.4 million. The Company raised approximately \$3.4 million from the sale of approximately 0.6 million shares of common stock during the nine months ended September 30, 2021. The Company's net cash used in operating activities for the nine months ended September 30, 2021 was approximately \$8.8 million, and current projections indicate that the Company will have continued negative cash flows for the foreseeable future. The Company will continue to incur losses because it is in the early development stage of commercializing its nuclear fuel.

We have approximately \$15 million of total working capital as of the date of this filing. We currently project a negative cash flow from our current operations averaging approximately \$1.0 million per month for our general and administrative and total R&D expenses, for total expected expenditures of approximately \$12 million for the next 12 to 15 months. We believe however that our actual expenditures will exceed our current available working capital through the third quarter of 2022. There are inherent uncertainties in forecasting future required R&D expenditures, as we are currently working on establishing certain anticipated fuel development agreements with the DOE's National Laboratories. Once many of these anticipated agreements are finalized and the future R&D costs are known, we expect to forecast a significantly higher level of future required R&D expenses and higher negative monthly cash flows from operations.

If sufficient funding becomes available to us, our R&D activities may significantly increase in the future. This funding is needed to continue our fuel development project and to achieve our future R&D milestones. COVID-19 may also affect costs and operations by potentially delaying our future work at the DOE's National Laboratories. The actual amount of cash we will need to operate is subject to many factors, including, but not limited to, the timing, design and conduct of the R&D work at the DOE's National Laboratories for our fuel along with cost to commercialize our nuclear fuel. Accordingly, there is high potential for budget variances in the current cost projections and fuel development timelines of our current planned operations over the fuel development period.

We will also need to receive substantial U.S. government support throughout our nuclear fuel R&D period in order to fund our R&D efforts in the future. If we are unable to obtain this government funding that meets our future R&D cash requirements, we will need to seek other funding, if available. This will result in dilution to our existing stockholders. If we can raise additional funds through the issuance of preferred stock, other equity or convertible securities, these securities could have rights or preferences senior to those of our common stock and could contain covenants that restrict our operations in the future. There can be no assurance that we will be able to obtain additional equity or debt financing on terms acceptable to us, if at all.

Considering the above-mentioned uncertainties and lack of financial resources to fund our current and long-term fuel development costs and corporate overhead expenses, substantial doubt exists about the Company's ability to continue as a going concern for the 12 months following the date of this filing. We have the ability to delay or reduce certain operating expenses, including R&D expenses in the next 12 to 15 months, which could reduce our cash flow shortfall. However, this delay would also extend our projected fuel development timeline discussed above.

The current primary sources of cash available to us for the next 12 months are potential funding from equity issuances, including our at-the-market equity offering sales agreement, as amended, with Stifel, Nicolaus & Company, Incorporated, and U.S. government support. The Company has an effective shelf registration statement on Form S-3 that was filed with the SEC on March 25, 2021 registering the sale of up to \$75 million of the Company's securities and declared effective on April 5, 2021. We have no debt or lines of credit and we have financed our operations to date through the sale of our preferred stock and common stock. Management believes that public or private equity investments may be available in the future, however adverse market conditions in our common stock price and trading volume, as well as other factors like COVID-19 could substantially impair our ability to raise capital in the future and to continue the nuclear fuel development project.

Short-Term and Long-Term Liquidity Sources

As discussed above, we will seek new financing to bring us additional sources of capital, depending on the capital market conditions of our common stock. There can be no assurance that these additional sources of capital will be made available to us. The primary potential sources of cash that may be available to us are as follows:

- Equity or debt investment from third party investors in Lightbridge;
- Collaboration with potential industry partners; and
- Strategic investment and U.S. government funding to support the remaining R&D activities required to continue the development of our fuel products and move them to a commercial stage.

In support of our long-term business with respect to our fuel technology business, we endeavor to create strategic alliances with other parties, to support the remaining R&D activities that is 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.

See Note 6. Stockholders' Equity and Stock-Based Compensation of the Notes to our unaudited condensed consolidated financial statements included in Part I. Item 1. *Financial Statements*, of this Quarterly Report on Form 10-Q for information regarding our prior equity financings.

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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Required.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Based on an evaluation under the supervision and with the participation of the Company's management, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act were effective as of September 30, 2021 to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and (ii) accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the third quarter of 2021 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. For a description of legal proceedings involving the Company, see the information set forth under Contingency in Note 4. Commitments and Contingencies of the Notes to our condensed consolidated financial statements in Part I. Item 1. *Financial Statements and Supplementary Data*, of this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS

There have been no other material changes to our risk factors from the risk factors previously disclosed in the 2020 Annual Report.

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

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

ITEM 5. OTHER INFORMATION

On November 4, 2021, the Company's Board of Directors approved an amendment to the Amended and Restated Bylaws of the Company to reduce the quorum required for meetings of stockholders from a majority to one-third (1/3) of the voting power. The Board also approved submission of the ratification of the amendment to the Company's stockholders at the Company's 2022 annual meeting of stockholders. The foregoing description of the amendment is qualified in its entirety by reference to the full text of the Amended and Restated Bylaws, as amended, filed as Exhibit 3.1 to this Quarterly Report on Form 10-Q.

ITEM 6. EXHIBITS

EXHIBIT INDEX –

| Exhibit Number | Description |
|----------------------|--|
| 3.1 | Amended and Restated Bylaws of the Company, as amended through November 4, 2021 |
| 31.1 | Rule 13a-14(a)/15d-14(a) Certification - Principal Executive Officer |
| 31.2 | Rule 13a-14(a)/15d-14(a) Certification - Principal Financial Accounting Officer |
| 32 | Section 1350 Certifications |
| 101 | Interactive data files pursuant to Rule 405 of Regulation S-T. |
| 101.INS | Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document). |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document. |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB | Inline XBRL Taxonomy Extension Labels Linkbase Document. |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document. |
| 104 | Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101). |

SIGNATURES

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

Date: November 8, 2021

LIGHTBRIDGE CORPORATION

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

By: /s/ Larry Goldman
Name: Larry Goldman
Title: Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

**AMENDED AND RESTATED BYLAWS
OF
LIGHTBRIDGE CORPORATION**

As amended and restated effective November 4, 2021

**ARTICLE I
STOCK**

SECTION 1.1 *Certificates Representing Stock.* Shares of stock of Lightbridge Corporation (the "Corporation") may be certificated or uncertificated, as provided under Nevada law. Each holder of certificated shares shall be entitled to have a certificate, signed by the Chairman, Co-Chairman or Vice-Chairman of the Board of Directors, if any, or by the President or a Vice-President and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the Corporation or by agents designated by the Board of Directors, certifying the number of shares owned by such holder in the Corporation. If any such certificate is countersigned or otherwise authenticated by a transfer agent or transfer clerk, and by a registrar, a facsimile of the signature of the officers, the transfer agent or the transfer clerk or the registrar of the Corporation may be printed or lithographed upon the certificate in lieu of the actual signatures. If any officer or officers who shall have signed, or whose facsimile signature or signatures shall have been used on any certificate or certificates shall cease to be such officer or officers of the Corporation before such certificate or certificates shall have been delivered by the Corporation, the certificate or certificates may nevertheless be adopted by the Corporation and be issued and delivered as though the person or persons who signed such certificate or certificates, or whose facsimile signature or signatures shall have been used thereon, had not ceased to be such officer or officers of the Corporation. Whenever the Corporation shall be authorized to issue more than one class of stock or more than one series of any class of stock, the certificates representing stock of any such class or series shall set forth thereon the statements prescribed by Chapter 78 of the Nevada Revised Statutes. Any restrictions on the transfer or registration of transfer of any shares of stock of any class or series shall be noted conspicuously on the certificate representing such shares.

SECTION 1.2 *Lost, Stolen or Destroyed Certificates.* The Corporation may issue a new certificate of stock in place of any certificate theretofore issued by it, alleged to have been lost, stolen, or destroyed, and the Board of Directors may require the owner of any lost, stolen, or destroyed certificate, or his legal representative, to give the Corporation a bond sufficient to indemnify the Corporation against any claim that may be made against it on account of the alleged loss, theft, or destruction of any such certificate or the issuance of any such new certificate.

SECTION 1.3 *Fractional Share Interests.* The Corporation is not obliged to but may execute and deliver a certificate for or including a fraction of a share. In lieu of executing and delivering a certificate for a fraction of a share, the Corporation may proceed in the manner prescribed by the provisions of Section 78.205 of the Nevada Revised Statutes.

SECTION 1.4 *Stock Transfers.* Upon compliance with provisions restricting the transfer or registration of transfer of shares of stock, if any, transfers or registration of transfers of shares of stock of the Corporation shall be made only on the stock ledger of the Corporation by the registered holder thereof, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the Corporation or with a transfer agent or a registrar, if any, and on surrender of the certificate or certificates for such shares of stock properly endorsed and the payment of all taxes, if any, due thereon.

ARTICLE II
STOCKHOLDERS' MEETINGS; VOTING

SECTION 2.1 *Record Date for Stockholders.* For the purpose of determining the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or the allotment of any rights, or entitled to exercise any rights in respect of any change, conversion, or exchange of stock or for the purpose of any other lawful action, the directors may fix, in advance, a record date, which shall not be more than sixty days nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. If a record date is not fixed, the record date is at the close of business on the day before the day on which notice is given or, if notice is waived, at the close of business on the day before the meeting is held. A determination of stockholders of record entitled to notice of or to vote at any meeting of stockholders applies to an adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting. The directors must fix a new record date if the meeting is adjourned to a date more than sixty days later than the date set for the original meeting.

SECTION 2.2 *Meaning of Certain Terms.* As used in these Bylaws in respect of the right to notice of a meeting of stockholders or a waiver thereof or to participate or vote thereat or to consent or dissent in writing in lieu of a meeting, as the case may be, the term "share" or "shares" or "share of stock" or "shares of stock" or "stockholder" or "stockholders" refers to an outstanding share or shares of stock and to a holder or holders of record of outstanding shares of stock when the Corporation is authorized to issue only one class of shares of stock, and said reference is also intended to include any outstanding share or shares of stock and any holder or holders of record of outstanding shares of stock of any class upon which or upon whom the Articles of Incorporation confers such rights where there are two or more classes or series of shares of stock or upon which or upon whom Chapter 78 of the Nevada Revised Statutes confers such rights notwithstanding that the Articles of Incorporation may provide for more than one class or series of shares of stock, one or more of which are limited or denied such rights thereunder; provided, however, that no such right shall vest in the event of an increase or a decrease in the authorized number of shares of stock of any class or series which is otherwise denied voting rights under the provisions of the Articles of Incorporation.

SECTION 2.3 *Time of Meetings.* The annual meeting shall be held on the date and at the time fixed, from time to time, by the Board of Directors. A special meeting shall be held on the date and at the time fixed by the Board of Directors.

SECTION 2.4 *Place of Meetings.* Annual meetings and special meetings shall be held at such place, within or without the State of Nevada, as the Board of Directors may, from time to time, fix. Stockholders may participate in a meeting of stockholders by means of a conference telephone or similar method of communication by which all persons participating in the meeting can hear each other.

SECTION 2.5 *Call; Business.* Annual meetings may be called by the Board of Directors or by the President or the Secretary at the request in writing of a majority of the Board of Directors. Special meetings of the stockholders, for any purpose, or purposes, unless otherwise prescribed by statute or by the Articles of Incorporation, may be called by the Chairman of the Board of Directors or the President and shall be called by the President or the Secretary at the request in writing of a majority of the Board of Directors or by the holders of a majority of the shares of voting stock. Such request shall state the purpose or purposes of the proposed special meeting. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice. Written notice of a request for a meeting by the holders of a majority of the voting shares shall be accompanied by the name and record address of the stockholders proposing the special meeting, and the class, series and number of shares of the Corporation which are beneficially owned by each stockholder, and a description of any material interest of the stockholder in such business. Written notice of an annual meeting or special meeting stating the place, date and hour of such meeting shall be given to each stockholder entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting.

To be properly brought before the annual meeting, business must be either (i) specified in the notice of annual meeting (or any supplement or amendment thereto) given by or at the direction of the Board of Directors, (ii) otherwise brought before the annual meeting by or at the direction of the Board of Directors, or (iii) otherwise properly brought before the annual meeting by a stockholder. In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the ninetieth (90th) day nor earlier than the close of business on the one hundred twentieth (120th) day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than thirty days before or more than seventy days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Corporation. In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period for the giving of a stockholder's notice as described above.

A stockholder's notice to the Secretary shall set forth (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of the stockholder proposing such business, (iii) the class, series and number of shares of the Corporation which are beneficially owned by the stockholder, and (iv) any material interest of the stockholder in such business. Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at the annual meeting except in accordance with the procedures set forth in this Section 2.5. The officer of the Corporation presiding at an annual meeting shall, if the facts warrant, determine and declare to the annual meeting that business was not properly brought before the annual meeting in accordance with the provisions of this Section 2.5, and if such officer should so determine, he shall so declare to the annual meeting and any such business not properly brought before the meeting shall not be transacted.

Nothing in this Section 2.5 or in Section 3.3 of these Bylaws shall be deemed to affect any rights (i) of stockholders to request inclusion of proposals or nominations in the Corporation's proxy statement pursuant to Rule 14a-8 (or any successor thereto) promulgated under the Securities Exchange Act of 1934, as amended, or (ii) of the holders of any series of preferred stock to nominate and elect directors pursuant to and to the extent provided in any applicable provisions of the Articles of Incorporation.

SECTION 2.6 *Notice and Waiver of Notice*. Notice of all meetings shall be in writing and signed by the President or a Vice-President, or the Secretary, or an Assistant Secretary, or by such other person or persons as the Board of Directors may designate. The notice must state the purpose or purposes for which the meeting is called and the time when, and the place, where it is to be held. A copy of the notice must be either delivered personally or mailed postage prepaid to each stockholder not less than ten nor more than sixty days before the meeting. If mailed, it must be directed to the stockholder at his address as it appears upon the records of the Corporation. Any stockholder may waive notice of any meeting by a writing signed by him, or his duly authorized attorney, either before or after the meeting; and if notice of any kind is required to be given under the provisions of the Nevada Revised Statutes, a waiver thereof in writing and duly signed whether before or after the time stated therein, shall be deemed equivalent thereto.

SECTION 2.7 *Conduct of Meetings*. Meetings of the stockholders shall be presided over by one of the following officers in the order of seniority and if present and acting — the Chairman of the Board, the Co-Chairman of the Board, if any, the Vice-Chairman of the Board, if any, the President, a Vice-President, or, if none of the foregoing is in office and present and acting, by a chairman to be chosen by the stockholders. The Secretary of the Corporation, or in his absence, an Assistant Secretary, shall act as secretary of every meeting, but if neither the Secretary nor an Assistant Secretary is present the chairman of the meeting shall appoint a secretary of the meeting.

SECTION 2.8 *Proxy Representation*. At any meeting of stockholders, any stockholder may designate another person or persons to act for him by proxy in any manner described in, or otherwise authorized by, the provisions of Section 78.355 of the Nevada Revised Statutes.

SECTION 2.9 *Inspectors*. The Board of Directors, in advance of any meeting, may, but need not, appoint one or more inspectors of election to act at the meeting or any adjournment thereof. If an inspector or inspectors are not appointed, the person presiding at the meeting may, but need not, appoint one or more inspectors. In case any person who may be appointed as an inspector fails to appear or act, the vacancy may be filled by appointment made by the Board of Directors in advance of the meeting or at the meeting by the person presiding thereat. Each inspector, if any, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his ability. The inspectors, if any, shall determine the number of shares of stock outstanding and the voting power of each, the shares of stock represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all stockholders. On request of the person presiding at the meeting, the inspector or inspectors, if any, shall make a report in writing of any challenge, question or matter determined by him or them and execute a certificate of any fact found by him or them.

SECTION 2.10 *Quorum*. One-third (1/3) of the voting power, which includes the voting power that is present in person or by proxy, regardless of whether the proxy has authority to vote on all matters, constitutes a quorum at a meeting of stockholders for the transaction of business unless the action to be taken at the meeting shall require a greater proportion. The stockholders present may adjourn the meeting despite the absence of a quorum.

SECTION 2.11 *Voting*. Each share of stock shall entitle the holder thereof to one vote. In the election of directors, a plurality of the votes cast shall elect. Any other action is approved if the number of votes cast in favor of the action exceeds the number of votes cast in opposition to the action, except where Nevada law, the Articles of Incorporation, or these Bylaws prescribe a different percentage of votes and/or a different exercise of voting power. In the election of directors, voting need not be by ballot; and, except as otherwise may be provided by Chapter 78 of the Nevada Revised Statutes, voting by ballot shall not be required for any other action.

SECTION 2.12 *Action Without Meetings*. Stockholders of the Corporation may only take action at an annual or special meeting of stockholders. Stockholders may not take action by written consent without a meeting.

ARTICLE III BOARD OF DIRECTORS

SECTION 3.1 *Functions and Definitions*. The business and affairs of the Corporation shall be managed by the Board of Directors of the Corporation. The Board of Directors shall have authority to fix the compensation of the members thereof for services in any capacity. The use of the phrase "whole Board" herein refers to the total number of directors which the Corporation would have if there were no vacancies.

SECTION 3.2 *Qualifications and Number*. Each director must be at least 18 years of age. A director need not be a stockholder or a resident of the State of Nevada. The number of directors constituting the whole Board shall be at least one and may be fixed from time to time by action of the stockholders or of the Board of Directors.

SECTION 3.3 *Election and Term; Nominations*. Directors may be elected in the manner prescribed by the provisions of Sections 78.320 through 78.335 of the Nevada Revised Statutes. Directors who are elected at an election of directors by stockholders, and directors who are elected in the interim to fill vacancies and newly created directorships, shall hold office until the next election of directors by stockholders and until their successors are elected and qualified or until their earlier resignation or removal. In the interim between elections of directors by stockholders, newly created directorships and any vacancies in the Board of Directors, including any vacancies resulting from the removal of directors for cause or without cause by the stockholders and not filled by said stockholders, may be filled by the vote of a majority of the remaining directors then in office, although less than a quorum, or by the sole remaining director. Any director may resign at any time upon written notice to the Corporation.

Nominations of persons for election to the Board of Directors of the Corporation at an annual meeting may be made at such meeting by or at the direction of the Board of Directors, by any committee or persons appointed by the Board of Directors or by any stockholder of the Corporation entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Section 3.3. Such nominations by any stockholder shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the ninetieth (90th) day nor earlier than the close of business on the one hundred twentieth (120th) day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than thirty days before or more than seventy days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Corporation. In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period for the giving of a stockholder's notice as described above.

Such stockholder's notice to the Secretary shall set forth (i) as to each person whom the stockholder proposes to nominate for election or reelection as a director, (a) the name, age, business address and residence address of the person, (b) the principal occupation or employment of the person, (c) the class and number of shares of capital stock of the Corporation which are beneficially owned by the person, and (d) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to the Rules and Regulations of the Securities and Exchange Commission under Section 14 of the Securities Exchange Act of 1934, as amended; and (ii) as to the stockholder giving the notice (a) the name and record address of the stockholder and (b) the class and number of shares of capital stock of the Corporation which are beneficially owned by the stockholder. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth herein. The officer of the Corporation presiding at an annual meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded. The directors shall be elected at the annual meeting of the stockholders, except as provided in this Section 3.3, and each director elected shall hold office until his successor is elected and qualified or until such director's earlier removal in accordance with Section 3.11 of these Bylaws.

SECTION 3.4 *Time of Meetings*. Meetings shall be held at such time as the Board shall fix.

SECTION 3.5 *Place of Meetings*. Meetings shall be held at such place within or without the State of Nevada as shall be fixed by the Board. Members of the Board or of any committee which may be designated by the Board may participate in a meeting of the Board or of any such committee, as the case may be, by means of a telephone conference or similar method of communication by which all persons participating in the meeting hear each other. Participation in a meeting by said means constitutes presence in person at the meeting.

SECTION 3.6 *Call*. No call shall be required for regular meetings for which the time and place have been fixed. Special meetings may be called by or at the direction of the Chairman or Co-Chairman of the Board, if any, the Vice-Chairman of the Board, if any, or the President, or of a majority of the directors in office.

SECTION 3.7 *Notice and Waiver*. No notice shall be required for regular meetings for which the time and place have been fixed. Written, oral, or any other mode of notice of the time and place shall be given for special meetings at least twenty-four (24) hours before the time of commencement of the meeting. Notice if any need not be given to a director or to any member of a committee of directors who submits a written waiver of notice signed by him before or after the time stated therein.

SECTION 3.8 *Quorum and Action*. A majority of the directors then in office, at a meeting duly assembled, shall constitute a quorum. A majority of the directors present, whether or not a quorum is present, may adjourn a meeting to another time and place. Except as the Articles of Incorporation or these Bylaws may otherwise provide, and except as otherwise provided by Nevada law, the act of the directors holding a majority of the voting power of the directors, present at a meeting at which a quorum is present, is the act of the Board. The quorum and voting provisions herein stated shall not be construed as conflicting with any provisions of Nevada law and these Bylaws which govern a meeting of directors held to fill vacancies and newly created directorships in the Board or action of disinterested directors.

SECTION 3.9 *Chairman of the Meeting*. The Chairman of the Board, if any and if present and acting, shall preside at all meetings. Otherwise, the Co-Chairman of the Board, if any or the Vice-Chairman of the Board, if any and if present and acting, or the President, if present and acting, or any other director chosen by the Board, shall preside.

SECTION 3.10 *Action Without Meetings*. Any action required or permitted to be taken at a meeting of the Board of Directors or of any committee thereof may be taken without a meeting if, before or after the action, a written consent thereto is signed by all the members of the Board or of the committee, as the case may be.

SECTION 3.11 *Removal of Directors*. Any or all of the directors may be removed for cause or without cause in accordance with the provisions of Chapter 78 of the Nevada Revised Statutes.

SECTION 3.12 *Committees*. Whenever its number consists of two or more, the Board of Directors may designate one or more committees which have such powers and duties as the Board shall determine. Any such committee, to the extent provided in the resolution or resolutions of the Board, shall have and may exercise the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation and may authorize the seal or stamp of the Corporation to be affixed to all papers on which the Corporation desires to place a seal or stamp. Each committee must include at least one director. The Board of Directors may appoint natural persons who are not directors to serve on committees.

ARTICLE IV OFFICERS

SECTION 4.1 *Officers*. The Corporation must have a President, a Secretary, and a Treasurer, and, if deemed necessary, expedient, or desirable by the Board of Directors, a Chairman or Co-Chairman of the Board, a Vice-Chairman of the Board, an Executive Vice-President, one or more other Vice-Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers and agents with such titles as the resolution choosing them shall designate. Each of any such officers must be natural persons and must be chosen by the Board of Directors or chosen in the manner determined by the Board of Directors. Any person may hold two or more offices, as the Board of Directors may determine.

SECTION 4.2 *Term*. Unless otherwise provided in the resolution choosing him, each officer shall be chosen for a term which shall continue until the meeting of the Board of Directors following the next annual meeting of stockholders and until his successor shall have been chosen or until his resignation or removal before the expiration of his term.

SECTION 4.3 *Removal and Vacancies*. Any officer may be removed, with or without cause, by the Board of Directors or in the manner determined by the Board. Any vacancy in any office may be filled by the Board of Directors or in the manner determined by the Board.

SECTION 4.4 *Duties and Authority*. All officers of the Corporation shall have such authority and perform such duties in the management and operation of the Corporation as shall be prescribed in the resolution designating and choosing such officers and prescribing their authority and duties, and shall have such additional authority and duties as are incident to their office except to the extent that such resolutions or instruments may be inconsistent therewith.

ARTICLE V
INDEMNIFICATION

SECTION 5.1 *Indemnification of Officers and Directors.* For purposes of this Article V, (a) "Indemnitee" shall mean each director or officer who was or is a party to, or is threatened to be made a party to, or is otherwise involved in, any Proceeding (as hereinafter defined), by reason of the fact that he or she is or was a director or officer of the Corporation or is or was serving in any capacity at the request of the Corporation as a director, officer, employee, agent, partner, member, manager or fiduciary of, or in any other capacity for, another corporation or any partnership, joint venture, limited liability company, trust or other enterprise; and (b) "Proceeding" shall mean any threatened, pending, or completed action, suit or proceeding (including, without limitation, an action, suit or proceeding by or in the right of the Corporation), whether civil, criminal, administrative or investigative.

Each Indemnitee shall be indemnified and held harmless by the Corporation to the fullest extent permitted by the laws of the State of Nevada against all expense, liability and loss (including, without limitation, attorneys' fees, judgments, fines, taxes, penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by the Indemnitee in connection with any Proceeding; provided that such Indemnitee either is not liable pursuant to Section 78.138 of the Nevada Revised Statutes or acted in good faith and in a manner such Indemnitee reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any Proceeding that is criminal in nature, had no reasonable cause to believe that his or her conduct was unlawful. The termination of any Proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, does not, of itself, create a presumption that the Indemnitee is liable pursuant to Section 78.138 of the Nevada Revised Statutes or did not act in good faith and in a manner in which he or she reasonably believed to be in or not opposed to the best interests of the Corporation, or that, with respect to any criminal proceeding, he or she had reasonable cause to believe that his or her conduct was unlawful. The Corporation shall not indemnify an Indemnitee for any claim, issue or matter as to which the Indemnitee has been adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable to the Corporation or for any amounts paid in settlement to the Corporation, unless and only to the extent that the court in which the Proceeding was brought or other court of competent jurisdiction determines upon application that in view of all the circumstances of the case, the Indemnitee is fairly and reasonably entitled to indemnity for such amounts as the court deems proper. Except as so ordered by a court and for advancement of expenses pursuant to this Section 5.1, indemnification may not be made to or on behalf of an Indemnitee if a final adjudication establishes that his or her acts or omissions involved intentional misconduct, fraud or a knowing violation of law and was material to the cause of action. Notwithstanding anything to the contrary contained in these Bylaws, no director or officer may be indemnified for expenses incurred in defending any threatened, pending, or completed action, suit or proceeding (including without limitation, an action, suit or proceeding by or in the right of the Corporation), whether civil, criminal, administrative or investigative, that such director or officer incurred in his or her capacity as a stockholder.

Indemnification pursuant to this Section 5.1 shall continue as to an Indemnitee who has ceased to be a director or officer of the Corporation or a director, officer, employee, agent, partner, member, manager or fiduciary of, or to serve in any other capacity for, another corporation or any partnership, joint venture, limited liability company, trust or other enterprise and shall inure to the benefit of his or her heirs, executors and administrators.

The expenses of Indemnitees must be paid by the Corporation or through insurance purchased and maintained by the Corporation or through other financial arrangements made by the Corporation, as such expenses are incurred and in advance of the final disposition of the Proceeding, upon receipt of an undertaking by or on behalf of such Indemnitee to repay the amount if it is ultimately determined by a court of competent jurisdiction that he or she is not entitled to be indemnified by the Corporation. To the extent that an Indemnitee is successful on the merits or otherwise in defense of any Proceeding, or in the defense of any claim, issue or matter therein, the Corporation shall indemnify him or her against expenses, including attorneys' fees, actually and reasonably incurred in by him or her in connection with the defense.

SECTION 5.2 *Indemnification of Employees and Other Persons.* The Corporation may, by action of its Board of Directors and to the extent provided in such action, indemnify employees and other persons as though they were Indemnitees. To the extent that an employee or agent of the Corporation has been successful on the merits or otherwise in defense of any Proceeding, or in the defense of any claim, issue or matter therein, the Corporation shall indemnify him or her against expenses, including attorneys' fees, actually and reasonably incurred by him or her in connection with the defense.

SECTION 5.3 *Non-Exclusivity of Rights.* The rights to indemnification provided in this Article V shall not be exclusive of any other rights that any person may have or hereafter acquire under any statute, provision of the Articles of Incorporation or these Bylaws, agreement, insurance policy, vote of stockholders or Board of Directors, or otherwise.

SECTION 5.4 *Insurance.* The Corporation may purchase and maintain insurance or make other financial arrangements on behalf of any Indemnitee for any liability asserted against him or her and liability and expenses incurred by him or her in his or her capacity as a director, officer, employee, member, managing member or agent, or arising out of his or her status as such, whether or not the Corporation has the authority to indemnify him or her against such liability and expenses.

SECTION 5.5 *Other Financial Arrangements.* The other financial arrangements which may be made by the Corporation may include the following: (i) the creation of a trust fund; (ii) the establishment of a program of self-insurance; (iii) the securing of its obligation of indemnification by granting a security interest or other lien on any assets of the Corporation; and (iv) the establishment of a letter of credit, guarantee or surety. No financial arrangement made pursuant to this subsection may provide protection for a person adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable for intentional misconduct, fraud, or a knowing violation of law, except with respect to advancement of expenses or indemnification ordered by a court.

SECTION 5.6 *Other Matters Relating to Insurance or Financial Arrangements.* Any insurance or other financial arrangement made on behalf of a person pursuant to this Article V may be provided by the Corporation or any other person approved by the Board of Directors, even if all or part of the other person's stock or other securities is owned by the Corporation. In the absence of fraud, (i) the decision of the Board of Directors as to the propriety of the terms and conditions of any insurance or other financial arrangement made pursuant to this Article V and the choice of the person to provide the insurance or other financial arrangement is conclusive; and (ii) the insurance or other financial arrangement is not void or voidable and does not subject any director approving it to personal liability for his or her action; even if a director approving the insurance or other financial arrangement is a beneficiary of the insurance or other financial arrangement.

SECTION 5.7 *Indemnification — Amendment*. The provisions of this Article V relating to indemnification shall constitute a contract between the Corporation and each of its directors and officers which may be modified as to any director or officer only with that person's consent or as specifically provided in this Section 5.7. Notwithstanding any other provision of these Bylaws relating to their amendment generally, any repeal or amendment of this Article V which is adverse to any director or officer shall apply to such director or officer only on a prospective basis, and shall not limit the rights of an Indemnitee to indemnification with respect to any action or failure to act occurring prior to the time of such repeal or amendment. Notwithstanding any other provision of these Bylaws no repeal or amendment of these Bylaws shall affect any or all of this Article V so as to limit or reduce the indemnification in any manner unless adopted by (i) the unanimous vote of the directors of the Corporation then serving, or (ii) by the stockholders as set forth in Section 6.6; provided that no such amendment shall have a retroactive effect inconsistent with the preceding sentence.

ARTICLE VI MISCELLANEOUS

SECTION 6.1 *Registered Office*. The location of the initial registered office of the Corporation in the State of Nevada is the address of the initial resident agent of the Corporation, as set forth in the original Articles of Incorporation.

SECTION 6.2 *Records*. The Corporation shall maintain at its principal office or with its custodian of records whose name and street address are available at the Corporation's registered office a copy, certified by the Secretary of State of the State of Nevada, of its Articles of Incorporation, and all amendments thereto, and a copy, certified by the Secretary of the Corporation, of these Bylaws, and all amendments thereto. The Corporation shall also keep at its principal office or with its custodian of records whose name and street address are available at the Corporation's registered office a stock ledger or a duplicate stock ledger, revised annually, containing the names, alphabetically arranged, of all persons who are stockholders of the Corporation, showing their places of residence, if known, and the number of shares held by them respectively or a statement setting out the name of the custodian of the stock ledger or duplicate stock ledger, and the present and complete post office address, including street and number, if any, where such stock ledger or duplicate stock ledger is kept.

SECTION 6.3 *Corporate Seal*. The corporate seal or stamp shall be in such form as the Board of Directors may prescribe.

SECTION 6.4 *Fiscal Year*. The fiscal year of the Corporation shall be fixed, and shall be subject to change, by the Board of Directors.

SECTION 6.5 *Exclusive Forum*. To the fullest extent permitted by law, and unless the Corporation, pursuant to a resolution adopted by a majority of the Board of Directors, consents in writing to the selection of an alternative forum, the appropriate state and federal courts located within Clark County, Nevada, shall be the sole and exclusive forum for (a) any derivative action or proceeding brought in the name or right of the Corporation or on its behalf, (b) any action asserting a claim for breach of any fiduciary duty owed by any director, officer, employee or agent of the Corporation to the Corporation or the Corporation's stockholders, (c) any action arising or asserting a claim arising pursuant to any provision of the Nevada Revised Statutes or any provision of the Articles of Incorporation or these Bylaws, or (d) any action asserting a claim governed by the internal affairs doctrine, in each such case subject to such court having personal jurisdiction over the indispensable parties named as defendants therein. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Section 6.5.

SECTION 6.6 *Amendment*. Except as otherwise provided in the Articles of Incorporation: (a) the Board of Directors is expressly authorized (in furtherance and not in limitation of the powers conferred by statute) to amend, repeal or rescind any provision of these Bylaws or to adopt new bylaws; and (b) the affirmative vote of the holders of at least a majority of the outstanding voting power of the Corporation entitled to vote thereon, voting together as a single class, shall be required in order for the stockholders of the Corporation to amend, repeal or rescind, in whole or in part, any provision of these Bylaws (including, without limitation, this Section 6.6) or to adopt any new provision of these Bylaws.

* * * * *

Certification of Principal Executive Officer

I, Seth Grae, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lightbridge Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2021

By: /s/ Seth Grae

Seth Grae

Principal Executive Officer

Certification of Principal Financial Officer

I, Larry Goldman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lightbridge Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2021

By: /s/ Larry Goldman

Larry Goldman
Chief Financial Officer
(Principal Financial and Principal Accounting
Officer)

Section 1350 Certifications

STATEMENT FURNISHED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, the Chief Executive Officer and Chief Financial Officer of Lightbridge Corporation, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge on the date hereof:

1. the Quarterly Report on Form 10-Q of Lightbridge Corporation for the quarter ended September 30, 2021, filed on the date hereof with the Securities and Exchange Commission (the Report), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Lightbridge Corporation.

Date: November 8, 2021

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

By: /s/ Larry Goldman
Name: Larry Goldman
Title: Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)