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

Form 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16
under the Securities Exchange Act of 1934

September 2018

Commission file number: 001-36288

Akari Therapeutics, Plc
(Translation of registrant's name into English)

75/76 Wimpole Street
London W1G 9RT
United Kingdom
Tel: (646) 448-8743
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulations S-T Rule 101(b)(1): _____

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulations S-T Rule 101(b)(7): _____

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On September 27, 2018, Akari Therapeutics, Plc (the “Company”) issued unaudited interim condensed consolidated financial statements as of June 30, 2018, prepared in accordance with generally accepted accounting principles in the United States, together with the Company’s Management Discussion and Analysis of Financial Condition and Results of Operations for the same period. Attached hereto and incorporated by reference herein are the following exhibits:

- 99.1 Unaudited Interim Condensed Consolidated Financial Statements as of June 30, 2018
- 99.2 Management Discussion and Analysis of Financial Condition and Results of Operations as of June 30, 2018

The information contained in this report (including the exhibits hereto) is hereby incorporated by reference into all effective registration statements filed by the Company under the Securities Act of 1933.

Cautionary Note Regarding Forward-Looking Statements

This Report on Form 6-K contains “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements reflect our current views about our plans, intentions, expectations, strategies and prospects, which are based on the information currently available to us and on assumptions we have made. Although we believe that our plans, intentions, expectations, strategies and prospects as reflected in or suggested by those forward-looking statements are reasonable, we can give no assurance that the plans, intentions, expectations or strategies will be attained or achieved. Furthermore, actual results may differ materially from those described in the forward-looking statements and will be affected by a variety of risks and factors that are beyond our control. Such risks and uncertainties for our company include, but are not limited to: needs for additional capital to fund our operations, our ability to continue as a going concern; uncertainties of cash flows and inability to meet working capital needs; an inability or delay in obtaining required regulatory approvals for Coversin and any other product candidates, which may result in unexpected cost expenditures; our ability to obtain orphan drug designation in additional indications; risks inherent in drug development in general; uncertainties in obtaining successful clinical results for Coversin and any other product candidates and unexpected costs that may result therefrom; difficulties enrolling patients in our clinical trials; failure to realize any value of Coversin and any other product candidates developed and being developed in light of inherent risks and difficulties involved in successfully bringing product candidates to market; inability to develop new product candidates and support existing product candidates; the approval by the FDA and EMA and any other similar foreign regulatory authorities of other competing or superior products brought to market; risks resulting from unforeseen side effects; risk that the market for Coversin may not be as large as expected; risks associate with the departure of our former Chief Executive Officers and other executive officers; risks related to material weaknesses in our internal controls over financial reporting and risks relating to the ineffectiveness of our disclosure controls and procedures; risks associated with the putative shareholder class action and SEC investigation; inability to obtain, maintain and enforce patents and other intellectual property rights or the unexpected costs associated with such enforcement or litigation; inability to obtain and maintain commercial manufacturing arrangements with third party manufacturers or establish commercial scale manufacturing capabilities; the inability to timely source adequate supply of our active pharmaceutical ingredients from third party manufacturers on whom the company depends; unexpected cost increases and pricing pressures and risks and other risk factors detailed in our public filings with the U.S. Securities and Exchange Commission, including our most recently filed Annual Report on Form 20-F filed with the SEC on July 18, 2018. Except as otherwise noted, these forward-looking statements speak only as of the date of this press release and we undertake no obligation to update or revise any of these statements to reflect events or circumstances occurring after this press release. We caution investors not to place considerable reliance on the forward-looking statements contained in this Form 6-K.

Exhibit No.

- 99.1 Unaudited Interim Condensed Consolidated Financial Statements as of June 30, 2018
 - 99.2 Management Discussion and Analysis of Financial Condition and Results of Operations as of June 30, 2018
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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.

Akari Therapeutics, Plc
(Registrant)

By: /s/ Clive Richardson
Name: Clive Richardson
Interim Chief Executive Officer
and Chief Operating Officer

Date: September 27, 2018

AKARI THERAPEUTICS, PLC
Quarterly Report For the Period Ended June 30, 2018

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AKARI THERAPEUTICS, Plc
CONDENSED CONSOLIDATED BALANCE SHEETS
As of June 30, 2018 and December 31, 2017
(in U.S. Dollars, except share data)

	June 30, 2018	December 31, 2017
	<u>(Unaudited)</u>	
Assets		
Current Assets:		
Cash	\$ 15,069,942	\$ 28,106,671
Prepaid expenses and other current assets	1,453,331	706,415
Total Current Assets	16,523,273	28,813,086
Restricted cash	521,408	142,235
Property and equipment, net	38,698	55,898
Patent acquisition costs, net	36,167	39,124
Total Assets	\$ 17,119,546	\$ 29,050,343
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	\$ 2,001,802	\$ 1,971,161
Accrued expenses	3,989,429	4,795,873
Liabilities related to options and warrants	2,288,361	5,081,335
Total Current Liabilities	8,279,592	11,848,369
Other long-term liability	213,204	48,003
Total liabilities	8,492,796	11,896,372
Commitments and Contingencies		
Shareholders' Equity:		
Share capital of GBP .01 par value		
Authorized: 10,000,000,000 ordinary shares; issued and outstanding: 1,525,693,393 at June 30, 2018 and December 31, 2017, respectively	22,927,534	22,927,534
Additional paid-in capital	105,627,489	104,799,550
Accumulated other comprehensive loss	(230,635)	(236,246)
Accumulated deficit	(119,697,638)	(110,336,867)
Total Shareholders' Equity	8,626,750	17,153,971
Total Liabilities and Shareholders' Equity	\$ 17,119,546	\$ 29,050,343

See notes to condensed consolidated financial statements.

AKARI THERAPEUTICS, Plc

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS - UNAUDITED
For the Three and Six Months Ended June 30, 2018 and June 30, 2017
(in U.S. Dollars)

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Operating Expenses:				
Research and development costs	\$ 5,120,840	\$ 3,782,185	\$ 6,129,228	\$ 9,784,884
General and administrative expenses	2,858,065	3,566,952	6,155,038	5,847,442
Total Operating Expenses	7,978,905	7,349,137	12,284,266	15,632,326
Loss from Operations	(7,978,905)	(7,349,137)	(12,284,266)	(15,632,326)
Other Income (Expense):				
Interest income	67,436	38,564	132,073	77,451
Changes in fair value of option and warrant liabilities – (loss) gain	(152,557)	6,999,529	2,792,974	2,667,788
Foreign currency exchange gain (loss)	47,421	(6,293)	6,446	(13,052)
Other expenses	(5,591)	(2,679)	(7,998)	(4,388)
Total Other Income (Expense)	(43,291)	7,029,121	2,923,495	2,727,799
Net Loss	(8,022,196)	(320,016)	(9,360,771)	(12,904,527)
Other Comprehensive Loss:				
Foreign Currency Translation Adjustment	(27,188)	(48,577)	5,611	(93,730)
Comprehensive Loss	<u>\$ (8,049,384)</u>	<u>\$ (368,593)</u>	<u>\$ (9,355,160)</u>	<u>\$ (12,998,257)</u>
Loss per common share (basic and diluted)	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weighted average common shares (basic and diluted)	<u>1,525,693,393</u>	<u>1,177,693,383</u>	<u>1,525,693,393</u>	<u>1,177,693,383</u>

See notes to condensed consolidated financial statements.

AKARI THERAPEUTICS, Plc

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY - UNAUDITED
As of and for the Six Months Ended June 30, 2018
(in U.S. Dollars)

	<i>Akari Therapeutics, Plc</i>		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Share Capital					
	Shares	Amount				
Shareholders' Equity, January 1, 2018	1,525,693,393	\$ 22,927,534	\$ 104,799,550	\$ (236,246)	\$ (110,336,867)	\$ 17,153,971
Stock-based compensation	-	-	827,939	-	-	827,939
Comprehensive income (loss)	-	-	-	5,611	(9,360,771)	(9,355,160)
Shareholders' Equity, June 30, 2018	<u>1,525,693,393</u>	<u>\$ 22,927,534</u>	<u>\$ 105,627,489</u>	<u>\$ (230,635)</u>	<u>\$ (119,697,638)</u>	<u>\$ 8,626,750</u>

See notes to condensed consolidated financial statements.

AKARI THERAPEUTICS, Plc

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED
For the Six Months Ended June 30, 2018 and 2017
(in U.S. Dollars)

	Six Months Ended	
	June 30, 2018	June 30, 2017
Cash Flows from Operating Activities:		
Net loss	\$ (9,360,771)	\$ (12,904,527)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	18,722	22,553
Stock-based compensation	827,939	1,747,671
Changes in fair value of the liability for options and warrants	(2,792,974)	(2,667,788)
Foreign currency exchange (gains) loss	(19,649)	13,052
Changes in operating assets and liabilities:		
Increase in assets:		
Prepaid expenses and other current assets	(747,101)	(172,022)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	(773,086)	92,205
Other liabilities	165,201	1,676
Total adjustments	(3,320,948)	(962,653)
Net Cash Used in Operating Activities	(12,681,719)	(13,867,180)
Cash Flows from Investing Activities:		
Purchase of property and equipment	-	(36,885)
Redemption of short-term investments	-	10,021,963
Purchase of letter of credit	(379,075)	-
Net Cash (Used in) Provided by Investing Activities	(379,075)	9,985,078
Effect of Exchange Rates on Cash	24,065	(97,828)
Net Decrease in Cash	(13,036,729)	(3,979,930)
Cash, beginning of period	28,106,671	34,098,812
Cash, end of period	\$ 15,069,942	\$ 30,118,882

See notes to condensed consolidated financial statements.

AKARI THERAPEUTICS, Plc

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
June 30, 2018
(in U.S. Dollars)

NOTE 1 – Nature of Business

Akari Therapeutics, Plc, (the “Company” or “Akari”), formerly Celsus Therapeutics Plc (“Celsus”), is incorporated in the United Kingdom. The Company is a clinical-stage biopharmaceutical company focused on developing inhibitors of acute and chronic inflammation, specifically the complement system, the eicosanoid system and the bioamine system for the treatment of rare and orphan diseases.

The accompanying financial statements have been prepared in conformity with U.S. GAAP, assuming that the Company will continue to operate as a going concern. As of June 30, 2018, the Company has an accumulated deficit of \$119,697,638, cash of \$15,069,942 and negative cash flows from operating activities in the amount of \$12,681,719. On October 20, 2017, the Company sold an aggregate of 3,480,000 American Depositary Shares (“ADSs”) representing 348,000,000 ordinary shares, par value £0.01 (“Ordinary Shares”) for gross proceeds of \$17.4 million at \$5.00 per ADS with issuance costs of approximately \$1.7 million. The Company believes its current capital resources are sufficient to support its operations through the end of the second quarter of 2019. On September 26, 2018, the Company entered into a securities purchase agreement (the “Purchase Agreement”) with Aspire Capital Fund, LLC, an Illinois limited liability company (“Aspire Capital”), which provides that, upon the terms and subject to the conditions and limitations set forth therein, Aspire Capital is committed to purchase up to an aggregate of \$20.0 million of the Company’s ADSs over the 30-month term of the Purchase Agreement. In consideration for entering into the Purchase Agreement, concurrently with the execution of the Purchase Agreement, the Company issued 30,000,000 Ordinary Shares to Aspire Capital and sold to Aspire Capital 25,000,000 Ordinary Shares for \$0.02 per share (equivalent to \$2.00 per ADS).

The Company’s activities since inception have consisted of raising capital and performing research and development activities. As of June 30, 2018, principal commercial operations have not commenced. The Company is subject to a number of risks similar to those of clinical stage companies, including dependence on key individuals, uncertainty of product development and generation of revenues, dependence on outside sources of capital, risks associated with clinical trials of products, dependence on third-party collaborators for research operations, need for regulatory approval of products, risks associated with protection of intellectual property, and competition with larger, better-capitalized companies. In addition, the Company is subject to risks related to a putative class action lawsuit and an SEC investigation.

For the three and six months ended June 30, 2018, the Company reported a net loss of \$8,022,196 and \$9,360,771, respectively, and expects to continue to incur substantial losses over the next several years during its development phase. To fully execute its business plan, the Company will need, among other things, to complete its research and development efforts and clinical and regulatory activities. These activities may take several years and will require significant operating and capital expenditures in the foreseeable future. There can be no assurance that these activities will be successful. If the Company is not successful in these activities or there is not a favorable resolution of the putative class action or SEC investigation it could delay, limit, reduce or terminate preclinical studies, clinical trials or other research and development activities. To fund its capital needs, the Company plans to raise funds through equity or debt financings or other sources, such as strategic partnerships and alliance and licensing arrangements, and in the long term, from the proceeds from sales. Additional funds may not be available when the Company needs them, on terms that are acceptable to it, or at all. These matters raise substantial doubt about the Company’s ability to continue as a going concern. The financial statements do not include any adjustments to the carrying amounts and classifications of assets and liabilities that would result if the Company was unable to continue as a going concern.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Presentation – The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information and the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”). Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. These financial statements have been prepared on the same basis as the Company’s annual financial statements and, in the opinion of management, reflect all adjustments, including normal and recurring adjustments, which the Company considers necessary for the fair presentation of financial information. The results of operations and comprehensive loss for the three and six months ended June 30, 2018 and June 30, 2017, are not necessarily indicative of expected results for the full fiscal year or any other period.

Principles of Consolidation – The condensed consolidated financial statements include the accounts of the Company and Volution Immuno Pharmaceuticals SA, a private Swiss company, (“Volution”), its wholly-owned subsidiary. All intercompany transactions have been eliminated.

Foreign Currency – The functional currency of the Company is U.S. dollars as that is the primary economic environment in which the Company operates as well as the currency in which it has been financed.

AKARI THERAPEUTICS, Plc

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
June 30, 2018
(in U.S. Dollars)

NOTE 2 – Summary of Significant Accounting Policies (cont.)

The reporting currency of the Company is U.S. Dollars. The Company translated its non-U.S. operations' assets and liabilities denominated in foreign currencies into U.S. dollars at current rates of exchange as of the balance sheet date and income and expense items at the average exchange rate for the reporting period. Translation adjustments resulting from exchange rate fluctuations are recorded as foreign currency translation adjustments, a component of accumulated other comprehensive loss. Gains or losses from foreign currency transactions are included in foreign currency exchange gains/(losses).

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that may affect the reported amounts of assets, liabilities, equity, revenue, expenses and related disclosure of contingent assets and liabilities. Management's estimates and judgments include assumptions used in the evaluation of impairment and useful lives of intangible assets (patents), accrued liabilities, deferred income taxes, liabilities related to stock options and warrants, stock-based compensation and various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from those estimates under different assumptions or conditions.

Fair Value Measurements – The carrying amounts of financial instruments, including cash, restricted cash, accounts payable and accrued expenses approximate fair value due to their short-term maturities.

The Company's liabilities related to options and warrants relate to equity and debt financing rounds and options related to RPC Pharma Limited ("RPC"), Akari's majority shareholder, and are recognized on the balance sheet at their fair value, with changes in the fair value accounted for in the Condensed Consolidated Statements of Comprehensive Loss and included in changes in fair value of option/warrant liabilities gain (loss).

Cash – The Company considers all highly-liquid investments with original maturities of 90 days or less at the time of acquisition to be cash equivalents. The Company had no cash equivalents as of June 30, 2018 and December 31, 2017.

Restricted cash – Restricted cash is collateral for letters of credit related to the Company's office leases.

Prepaid Expenses and Other Current Assets – Prepaid expenses and other current assets consist principally of VAT receivables and prepaid expenses.

Property and equipment, net – Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets at the following annual rates:

	<u>Years</u>
Computers, peripheral, and scientific equipment	3
Office furniture and equipment	3

Depreciation expense for the three and six months ended June 30, 2018 and 2017 was \$8,647, \$10,952, \$17,200 and \$21,044, respectively.

Long-Lived Assets – The Company reviews all long-lived assets for impairment whenever events or circumstances indicate the carrying amount of such assets may not be recoverable. Recoverability of assets to be held or used is measured by comparison of the carrying value of the asset to the future undiscounted net cash flows expected to be generated by the asset. If such asset is considered to be impaired, the impairment recognized is measured by the amount by which the carrying value of the asset exceeds the discounted future cash flows expected to be generated by the asset.

Patent Acquisition Costs – Patent acquisition costs and related capitalized legal fees are amortized on a straight-line basis over the shorter of the legal or economic life. The estimated useful life is 22 years. The Company expenses costs associated with maintaining and defending patents subsequent to their issuance in the period incurred. Amortization of patent acquisition costs for the three and six months ended June 30, 2018 and 2017 was \$731 and \$762 and \$1,522 and \$1,509, respectively.

AKARI THERAPEUTICS, Plc

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
June 30, 2018
(in U.S. Dollars)

NOTE 2 – Summary of Significant Accounting Policies (cont.)

Accrued Expenses – As part of the process of preparing the condensed consolidated financial statements, it requires the estimate of accrued expenses. This process involves identifying services that third parties have performed on the Company’s behalf and estimating the level of service performed and the associated cost incurred on these services as of each balance sheet date in the Company’s condensed consolidated financial statements. Examples of estimated accrued expenses include contract service fees in conjunction with pre-clinical and clinical trials, professional service fees and contingent liabilities. In connection with these service fees, the Company estimates are most affected by its understanding of the status and timing of services provided relative to the actual services incurred by the service providers. In the event that the Company does not identify certain costs that have been incurred or it under or over-estimates the level of services or costs of such services, the Company’s reported expenses for a reporting period could be understated or overstated. The date on which certain services commence, the level of services performed on or before a given date, and the cost of services are often subject to the Company’s estimation and judgment. The Company makes these judgments based upon the facts and circumstances known to it in accordance with U.S. GAAP.

Research and Development Expenses – Costs associated with research and development are expensed as incurred. Research and development expenses include, among other costs, personnel expenses, costs incurred by outside laboratories, manufacturers’ and other accredited facilities in connection with clinical trials and preclinical studies. Research and development expenses for the three and six months ended June 30, 2018 and 2017 was \$5,120,840 and \$3,782,185 and \$6,129,228 and \$9,784,884, respectively. The Company accounts for research and development tax credits at the time its realization becomes probable. In March 2018, the Company realized research and development tax credits of \$3,794,094 that was recorded as a credit to research and development costs in the Condensed Consolidated Statements of Comprehensive Loss for the six months ended June 30, 2018.

Stock-Based Compensation Expense – Stock-based compensation expense is recorded using the fair-value based method for all awards granted. Compensation costs for stock options and awards is recorded in earnings (loss) over the requisite service period based on the fair value of those options and awards. For employees, fair value is estimated at the grant date and for non-employees fair value is re-measured at each reporting date as required by ASC 718, “*Compensation-Stock Compensation*,” and ASC 505-50, “*Equity-Based Payments to Non-Employees*.” Fair values of awards granted under the share option plans are estimated using a Black-Scholes option pricing model. The determination of fair value for stock-based awards on the date of grant using an option pricing model requires management to make certain assumptions regarding a number of complex and subjective variables. The Company classifies its stock-based payments as either liability-classified awards or as equity-classified awards. The Company remeasures liability-classified awards to fair value at each balance sheet date until the award is settled. The liability for liability-classified awards generally is equal to the fair value of the award as of the balance sheet date multiplied by the percentage vested at the time. The Company charges (or credits) the change in the liability amount from one balance sheet date to another to changes in fair value of option/warrant liabilities gain (loss). The Company accounts for awards of equity instruments issued to employees and directors under the fair value method of accounting and recognizes such amounts, upon vesting, in general administrative or research and development expenses within its Condensed Consolidated Statements of Comprehensive Loss.

Concentration of Credit Risk – Financial instruments that subject the Company to credit risk consist of cash. The Company maintains cash with well-capitalized financial institutions. At times, those amounts may exceed insured limits. The Company has no significant concentrations of credit risk.

Income Taxes – The Company accounts for income taxes in accordance with the accounting rules that require an asset and liability approach to accounting for income taxes based upon the future expected values of the related assets and liabilities. Deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and for tax loss and credit carry forwards, and are measured using the expected tax rates estimated to be in effect when such basis differences reverse. Valuation allowances are established, if necessary, to reduce the deferred tax asset to the amount that will, more likely than not, be realized. The Company has recorded a full valuation allowance on its deferred tax assets as of June 30, 2018 and December 31, 2017.

AKARI THERAPEUTICS, Plc

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
June 30, 2018
(in U.S. Dollars)

NOTE 2 – Summary of Significant Accounting Policies (cont.)

2017 U.S. Tax Reform – On December 22, 2017, the Tax Cuts and Jobs Act (the “TCJA”) was signed into United States law. The TCJA includes a number of changes to existing tax law, including, among other things, a permanent reduction in the federal corporate income tax rate from 34% to 21%, effective as of January 1, 2018, as well as limitation of the deduction for net operating losses to 80% of annual taxable income and elimination of net operating loss carrybacks, in each case, for losses arising in taxable years beginning after December 31, 2017 (though any such net operating losses may be carried forward indefinitely). The staff of the Securities and Exchange Commission issued Staff Accounting Bulletin No. 118 to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the TCJA. In connection with the initial analysis of the impact of the TCJA, the tax rate change resulted in (i) a reduction in the gross amount of the Company’s deferred tax assets recorded as of December 31, 2017, without an impact on the net amount of its deferred tax assets, which are reported with a full valuation allowance, and (ii) no income tax expense or benefit being recognized as of the enactment date of the TCJA.

Uncertain Tax Positions – The Company follows the provisions of ASC 740 *Accounting for Uncertainty in Income Taxes*, which prescribes recognition thresholds that must be met before a tax position is recognized in the financial statements and provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Under ASC 740 *Accounting for Uncertainty in Income Taxes*, an entity may only recognize or continue to recognize tax positions that meet a “more-likely-than-not” threshold. Interest and penalties related to uncertain tax positions are recognized as income tax expense. As of June 30, 2018 and December 31, 2017, the Company had no uncertain tax positions.

Comprehensive Loss – Comprehensive loss is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. The Company’s other comprehensive loss is comprised of foreign currency translation adjustments.

The following table provides details with respect to changes in accumulated other comprehensive loss, which is comprised of foreign currency translation adjustments, as presented in the balance sheets at June 30, 2018:

Balance January 1, 2018	\$ (236,246)
Net current period other comprehensive income	<u>5,611</u>
Balance June 30, 2018	<u>\$ (230,635)</u>

Recent Accounting Pronouncements -

Adopted –

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (“ASU 2014-09”), which supersedes nearly all existing revenue recognition guidance under GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing GAAP. On July 9, 2015, the FASB voted to defer the effective date by one year to December 15, 2017 for interim and annual reporting periods beginning after that date.

AKARI THERAPEUTICS, Plc

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
June 30, 2018
(in U.S. Dollars)

NOTE 2 – Summary of Significant Accounting Policies (cont.)

When effective, ASU 2014-09 prescribes either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients; or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). The Company adopted ASU 2014-09 using the modified retrospective method and since the Company is pre-revenue the adoption did not have any impact on its financial statements. The future impact of ASU 2014-09 will be dependent on the nature of the Company's future revenue contracts and arrangements, if any.

Not yet adopted –

In February 2016, the FASB issued ASU No. 2016-02, *Leases* ("ASU 2016-02"). ASU 2016-02 establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the impact of its pending adoption of the new standard on its condensed consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments*, which addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice, including presentation of cash flows relating to contingent consideration payments, proceeds from the settlement of insurance claims, and debt prepayment or debt extinguishment costs, among other matters. This guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. If adopted in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. Adoption of this guidance is required to be applied using a retrospective transition method to each period presented, unless impracticable to do so. The Company does not believe the adoption of this standard will have a material impact on its condensed statements of cash flows or related financial statement disclosures.

In October 2016, the FASB issued ASU 2016-16, *Intra-Entity Transfers of Assets Other Than Inventory*. This guidance removes the prohibition in ASC 740 against the immediate recognition of the current and deferred income tax effects of intra-entity transfers of assets other than inventory. This guidance is intended to reduce the complexity of U.S. GAAP and diversity in practice related to the tax consequences of certain types of intra-entity asset transfers, particularly those involving intellectual property. This guidance is effective for annual reporting periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company is currently evaluating the impact of this guidance on its condensed consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Restricted Cash*, which requires that restricted cash be included with cash and cash equivalents when reconciling the beginning and ending total amounts shown on the statement of cash flows. This guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019 and should be applied using a retrospective transition method to each period presented. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company has not yet determined the timing of adoption. The Company currently presents changes in restricted cash within investing activities and so the adoption of this guidance will result in changes in net cash flows from investing activities and to certain beginning and ending cash and cash equivalent totals shown on Condensed Consolidated Statements of Cash Flows. The Company does not believe the adoption of this standard will have a material impact on its financial position, results of operations or related financial statement disclosures.

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NOTE 3 – Fair Value Measurements

Fair value of financial instruments:

The estimated fair value of financial instruments has been determined by the Company using available market information and valuation methodologies. Considerable judgment is required in estimating fair values. Accordingly, the estimates may not be indicative of the amounts the Company could realize in a current market exchange.

The carrying amounts of cash, restricted cash, accounts payable and accrued expenses approximate their fair value due to the short-term maturity of such instruments.

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, ASC 820, *Fair Value Measurements and Disclosures* establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 - quoted prices in active markets for identical assets or liabilities;

Level 2 - inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or

Level 3 - unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represents assets that are recorded at carrying value which equals fair value:

	June 30, 2018		December 31, 2017		Fair Value Levels	Reference
	Carrying Amount \$	Fair Value \$	Carrying Amount \$	Fair Value \$		
Cash	15,069,942	15,069,942	28,106,671	28,106,671	1	Note 2
Restricted cash	521,408	521,408	142,235	142,235	1	Note 2

In accordance with ASC No. 820, the Company measures its liabilities related to options and warrants on a recurring basis at fair value. The liabilities related to options and warrants are classified within Level 3 value hierarchy because the liabilities are based on present value calculations and external valuation models whose inputs include market interest rates, estimated operational capitalization rates, volatilities and illiquidity. Unobservable inputs used in these models are significant.

Warrants to purchase 5,806,280 Ordinary Shares had full ratchet anti-dilution protection (which would be triggered by a share or warrant issuance at less than \$0.18945 price share or exercise price per share). As of June 30, 2018 and December 31, 2017, the fair value of the warrants was \$0 and \$0, respectively. The warrants expired on April 4, 2017.

The Company accounts for the liability warrants issued in accordance with ASC 815, *Derivatives and Hedging* as a freestanding liability instrument that is measured at fair value at each reporting date, based on its fair value, with changes in the fair values being recognized in the Company's Condensed Consolidated Statements of Comprehensive Loss as a change in fair value of option/warrant liabilities gain (loss).

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NOTE 3 – Fair Value Measurements (cont.)

In June 2015, the Company raised short-term working capital in the form of loans from shareholders of approximately \$3 million with the loans carrying with it, options in RPC, equivalent to 15% of the current outstanding equity issued by RPC. RPC is a private company that is a majority shareholder of the Company. The RPC options were accounted for in accordance with ASC 718, *Compensation – Stock Compensation*. The fair value of the RPC options was estimated using the fair value of Akari Ordinary Shares times RPC's ownership in Akari Ordinary Shares times 15% and was initially valued at approximately \$26 million. These options do not relate to the share capital of Akari. The exact terms of these options have not been finalized.

The fair value of the RPC options was \$2,288,361 and \$5,081,335 as of June 30, 2018 and December 31, 2017, respectively. The fair value of the RPC options for the three-month periods ended June 30, 2018 and 2017 increased by \$152,557 and decreased by \$6,999,529, respectively, and the fair value of the RPC options for the six-month periods ended June 30, 2018 and 2017 decreased by \$2,792,974 and \$2,667,788, respectively, and the change which represents a gain (loss), respectively, was recognized as change in fair value of option/warrant liabilities gain (loss) in the Condensed Consolidated Statements of Comprehensive Loss. The Company accounts for the RPC options as a liability in accordance with ASC 815-40-25, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock* and ASC 815-40-15, *Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock*.

The Company's financial assets and liabilities measured at fair value on a recurring basis, consisted of the following instruments as of the following dates:

	June 30, 2018	December 31, 2017
RPC options	2,288,361	5,081,335
Liabilities related to stock options	\$ 2,288,361	\$ 5,081,335

Fair value measurements using significant unobservable inputs (Level 3):

	Fair value of liabilities related to stock options and warrants
Balance at December 31, 2016	\$ 7,662,808
Changes in values of liabilities related to options and warrants	(2,667,788)
Balance at June 30, 2017	\$ 4,995,020
	Fair value of liabilities related to stock options and warrants
Balance at December 31, 2017	\$ 5,081,335
Changes in values of liabilities related to options and warrants	(2,792,974)
Balance at June 30, 2018	\$ 2,288,361

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NOTE 4 – Shareholders’ Equity

Share Capital – The Company has 10,000,000,000 Ordinary Shares of authorized capital and 1,525,693,383 Ordinary Shares outstanding at June 30, 2018 and December 31, 2017.

On June 26, 2017, previously issued Deferred B Shares and Deferred C Shares were converted into 10 Ordinary Shares.

On October 20, 2017, the Company issued an aggregate of 3,480,000 ADSs representing 348,000,000 Ordinary Shares for gross proceeds of \$17.4 million with issuance costs of approximately \$1.7 million generating net proceeds of approximately \$15.7 million.

Share option plan – In accordance with the Company’s 2014 Equity Incentive Plan (the “Plan”) the number of shares that may be issued upon exercise of options under the Plan, shall not exceed 141,142,420 Ordinary Shares. As of June 30, 2018, 77,580,422 Ordinary Shares are available for future issuance under the Plan. The option plan is administered by the Company’s board of directors and grants are made pursuant thereto by the compensation committee. The per share exercise price for the shares to be issued pursuant to the exercise of an option shall be such price equal to the fair market value of the Company’s Ordinary Shares on the grant date and set forth in the individual option agreement. Options expire ten years after the grant date and typically vest over one to four years.

The following is a summary of the Company’s share option activity and related information for employees and directors for the period ended June 30, 2018:

	Number of shares	Weighted average exercise price	Weighted average grant date fair value	Weighted average remaining contractual term (in years)	Aggregate intrinsic value
Options outstanding as of January 1, 2018	89,836,998	\$ 0.15		8.8	\$ 266,011
Changes during the period:					
Granted	2,600,000	\$ 0.03	\$ 0.02		
Forfeited	(28,875,000)	\$ 0.04	\$ 0.03		
Options outstanding at June 30, 2018	63,561,998	\$ 0.19		8.0	\$ -
Exercisable options at June 30, 2018	33,082,488	\$ 0.25		7.7	\$ -

The Company measures compensation cost for all share-based awards at fair value on the date of grant and recognizes compensation expense in general administrative and research and development expenses within its Condensed Consolidated Statements of Comprehensive Loss using the straight-line method over the service period over which it expects the awards to vest.

The Company estimates the fair value of all time-vested options as of the date of grant using the Black-Scholes option valuation model, which was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Option valuation models require the input of highly subjective assumptions, including the expected share price volatility, which is calculated based on the historical volatility of peer companies. The Company uses a risk-free interest rate, based on the U.S. Treasury instruments in effect at the time of the grant, for the period comparable to the expected term of the option. Given its limited history with share option grants and exercises, the Company uses the “simplified” method in estimating the expected term, the period of time that options granted are expected to be outstanding, for its grants.

The Company classifies its stock-based payments as either liability-classified awards or as equity-classified awards. The Company remeasures liability-classified awards to fair value at each balance sheet date until the award is settled. The Company measures equity-classified awards at their grant date fair value and does not subsequently remeasure them. The Company has classified its stock-based payments which are settled in ordinary shares as equity-classified awards and share-based payments that are settled in cash as liability-classified awards. Compensation costs related to equity-classified awards generally are equal to the grant-date fair value of the award amortized over the vesting period of the award. The liability for liability-classified awards generally is equal to the fair value of the award as of the balance sheet date multiplied by the percentage vested at the time. The Company charges (or credits) the change in the liability amounts from one balance sheet date to another to stock-based compensation expense.

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NOTE 4 – Shareholders’ Equity (cont.)

Below are the assumptions used for the options granted during the six months ended June 30, 2018 and 2017.

	June 30, 2018	June 30, 2017
Expected dividend yield	0%	0%
Expected volatility	82.23%	78.77%-79.89%
Risk-free interest	2.49%	1.21%-2.02%
Expected life	6.25 years	5.5-6.25 years

The following is a summary of the Company’s share options granted separated into ranges of exercise price:

Exercise price (range) (\$)	Options outstanding at March 31, 2018	Weighted average remaining contractual life (years)	Weighted average exercise price (\$)	Options exercisable at March 31, 2018	Remaining contractual life (years for exercisable options)	Weighted average exercise price (\$)
0.03-0.19	41,963,351	8.40	0.10	17,840,033	7.83	0.15
0.32	21,053,647	7.22	0.32	14,697,455	7.22	0.32
0.60-0.75	170,000	5.77	0.69	170,000	5.77	0.69
1.56-2.00	375,000	4.55	1.79	375,000	4.55	1.79
	<u>63,561,998</u>			<u>33,082,488</u>		

During the six-month periods ended June 30, 2018 and 2017, the Company recorded approximately \$828,000 and \$1,748,000, respectively, in stock-based compensation expenses for employees and directors. At June 30, 2018, there was approximately \$2,024,000 of unrecognized compensation cost related to unvested share-based compensation arrangements granted under the Company’s share option plans which the Company expects to recognize over 1.8 years.

Warrants to service providers and investors – The warrants outstanding at June 30, 2018, classified as equity, were issued in connection with several private placements of the Company as follows:

Grant date	Number of warrants	Exercise Price	Expiration date
2013 warrants	22,575	\$ 2.00	September 10, 2018-September 17, 2018

During the six months ended June 30, 2018, 376,585 warrants to purchase Ordinary Shares expired.

NOTE 5 – Related Party Transactions

Office Lease – A director of the Company is also the CEO of The Doctors Laboratory (“TDL”). The Company leases its UK office space from TDL and has incurred expenses of approximately \$72,000 and \$67,000 plus VAT during the six months ended June 30, 2018 and 2017, respectively.

Consulting – A director of the Company began providing business development consulting services in January 2018. The Company has incurred expenses of approximately \$36,000 during the six months ended June 30, 2018 relating to these consulting services.

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NOTE 6 – Loss Per Share

Basic loss per Ordinary Share is computed by dividing net loss available to ordinary shareholders by the weighted-average number of Ordinary Shares outstanding during the period. Diluted loss per ordinary share is computed by dividing net loss available to ordinary shareholders by the sum of (1) the weighted-average number of Ordinary Shares outstanding during the period, (2) the dilutive effect of the assumed exercise of share options using the treasury stock method, and (3) the dilutive effect of other potentially dilutive securities.

Loss per share	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Company posted	Net loss	Net loss	Net loss	Net loss
Basic weighted average shares outstanding	1,525,693,393	1,177,693,383	1,525,693,393	1,177,693,383
Dilutive effect of Ordinary Share equivalents	None	None	None	None
Dilutive weighted average shares outstanding	1,525,693,393	1,177,693,383	1,525,693,393	1,177,693,383
Loss per common share (basic and diluted)	\$ 0.01	\$ 0.00	\$ 0.01	\$ 0.01

For purposes of the diluted net loss per share calculation, share options and warrants are considered to be potentially dilutive securities and are excluded from the calculation of diluted net loss per share because their effect would be anti-dilutive. Therefore, basic and diluted net loss per share was the same for the periods presented due to the Company's net loss position.

The following table shows the number of share equivalents that were excluded from the computation of diluted loss per share for the respective periods because the effect would have been anti-dilutive:

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Total share options	63,561,998	72,517,385
Total warrants-equity classified	22,575	1,123,523
Total warrants-liability classified	-	-
Total share options and warrants	<u>63,584,573</u>	<u>73,640,908</u>

NOTE 7 – Contingencies

Loss contingencies - On April 27, 2017, the Company issued a press release stating that Edison Investment Research Ltd. ("Edison") has withdrawn its report issued April 26, 2017 titled "Akari's Coversin matches Soliris in Phase II" (the "Edison Report") because it contains material inaccuracies, including without limitation, with respect to the Company's interim analysis of its ongoing Phase II PNH trial of Coversin. Investors were cautioned not to rely upon any information contained in the Edison Report and instead were directed to the Company's press release issued on April 24, 2017 that discusses the interim analysis of the Company's then ongoing Phase II PNH trial and other matters. The Company's Board of Directors established an ad hoc special committee of the Board to review the involvement, if any, of its personnel with the Edison Report, which was later retracted. Edison was retained by the Company to produce research reports about the Company. While that review was pending, Dr. Gur Roshwalb, the Company's former Chief Executive Officer, was placed on administrative leave and Dr. Ray Prudo in his role as Executive Chairman temporarily assumed Dr. Roshwalb's duties in his absence. Following that review, the Company determined that the Edison Report was reviewed and approved by Dr. Roshwalb, in contravention of Company policy. On May 29, 2017, Dr. Roshwalb submitted his resignation as Chief Executive Officer and member of the Company's Board of Directors, effective immediately.

On May 12, 2017, a putative securities class action captioned Derek Da Ponte v. Akari Therapeutics, PLC, Gur Roshwalb, and Dov Elefant (Case 1:17-cv-03577) was filed in the U.S. District Court for the Southern District of New York against the Company, its former Chief Executive Officer and its Chief Financial Officer. The plaintiff asserted claims alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act"), based primarily on the Company's press releases or statements issued between April 24, 2017 and May 11, 2017 concerning the Phase II PNH trial of Coversin and the Edison Report about the Company and actions taken by it after the report was issued. The purported class covers the period from March 30, 2017 to May 11, 2017. The complaint seeks unspecified damages and costs and fees. On May 19, 2017, an almost identical class action complaint captioned

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NOTE 7 – Contingencies (cont.)

Shamoon v. Akari Therapeutics, PLC, Gur Roshwalb, and Dov Elefant (Case 1:17-cv-03783) was filed in the same court. On July 11-12, 2017, candidates to be lead plaintiff filed motions to consolidate the cases and appoint a lead plaintiff. On August 10, 2017, the court issued a stipulated order: (i) consolidating the class actions under the caption In re: Akari Therapeutics, PLC Securities Litigation (Case 1:17-cv-03577); and (ii) setting out schedule for plaintiffs to file a consolidated amended complaint and defendants to respond thereto.

By order dated September 7, 2017, the court appointed lead plaintiffs for the class and lead plaintiffs' counsel. On November 6, 2017, lead plaintiffs filed a consolidated amended complaint (the "CAC"). While the CAC contains similar substantive allegations to the initial complaints, it adds two additional defendants, Ray Prudo and Edison Investment Research Ltd., and the purported class period was changed to April 24, 2017 through May 30, 2017. On January 10, 2018, at a hearing regarding the defendants' impending motions to dismiss the CAC, the Court gave plaintiffs permission to file a second consolidated amended complaint (the "SCAC") and established a briefing schedule for defendants' motions to dismiss the SCAC. Pursuant to that schedule, plaintiffs' SCAC was filed on January 31, 2018. All briefing on the motions to dismiss was completed on April 20, 2018.

On May 9, 2018, the parties engaged in a mediation session and came to an agreement in principle to settle the dispute. On June 8, 2018, the parties entered into a memorandum of understanding. A memorandum of understanding is not a definitive settlement agreement, which must be approved by the Court. By the terms of the memorandum, the parties agreed in principle to a total payment of \$2.7 million in cash. The Company recorded the \$2.7 million CAC litigation settlement loss in the Condensed Consolidated Statement of Comprehensive Loss in the year ended December 31, 2017, which is the period in which the lawsuits were originally filed. The \$2.7 million CAC settlement liability is recorded as a loss contingency in accrued expenses in the Company's Condensed Consolidated Balance Sheets as of June 30, 2018 and as of December 31, 2017. The Company expects the full amount of the litigation settlement loss to be covered by its directors' and officers' liability insurance. On July 26, 2018, plaintiffs filed a notice with the Court voluntarily dismissing Edison from the action. On August 3, 2018, the remaining parties executed and filed a stipulation and agreement of settlement (the terms of which were consistent with the memorandum of understanding), and plaintiffs filed a motion seeking preliminary approval of the parties' settlement. The Court issued an order on August 7, 2018 granting plaintiffs' motion for preliminary approval of the settlement, and set a settlement conference for November 21, 2018. On August 24, 2018, the Company received a \$2.7 million payment from its directors' and officers' liability insurance provider, the sum of which was paid to an escrow account for the benefit of the settlement class on August 27, 2018.

Separately, Edison has sought indemnification from the Company pursuant to its contract with the Company, including reimbursement of all legal expenses that Edison incurs in connection with the securities class action (to which, as discussed above, Edison was added as a defendant on November 6, 2017) and lost profits from customer relationships that Edison claims it lost as a result of the retraction of the Edison Report. The parties have come to an agreement in principle to settle the dispute. The settlement amount is expected to be immaterial to the Company's operations and future cash flows. The parties are in continued discussions regarding finalizing a settlement.

The Company voluntarily reported to the SEC the circumstances leading to the withdrawal of the Edison Report and the outcome of its special committee's investigation. In response, the SEC requested certain documents from the Company with respect to the matters it reported. The Company is cooperating with the SEC's requests for information. On June 5, 2018, the Company received a subpoena from the SEC, which requested further documents and information primarily related to the Company's Phase II clinical trial of Coversin in connection with an investigation of the Company that the SEC is conducting. The Company is in the process of responding to the subpoena and will continue to cooperate with the SEC.

NOTE 8 – Subsequent Events

On September 26, 2018, the Company entered into a Purchase Agreement with Aspire Capital, which provides that, upon the terms and subject to the conditions and limitations set forth therein, Aspire Capital is committed to purchase up to an aggregate of \$20.0 million of the Company's ADSs over the 30-month term of the Purchase Agreement. In consideration for entering into the Purchase Agreement, concurrently with the execution of the Purchase Agreement, the Company issued 30,000,000 Ordinary Shares to Aspire Capital and sold to Aspire Capital 25,000,000 Ordinary Shares for \$0.02 per share (equivalent to \$2.00 per ADS) (see Note 1).

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

You should read this discussion together with the condensed consolidated financial statements, related notes and other financial information included elsewhere in this Report on Form 6-K. The following discussion may contain predictions, estimates and other forward-looking statements that involve a number of risks and uncertainties, including those discussed under "Risk Factors" in our Annual Report on Form 20-F for the year ended December 31, 2017. These risks could cause our actual results to differ materially from any future performance suggested below.

Unless the context otherwise requires, all references to "Akari," "we," "us," "our," the "Company" and similar designations refer to Akari Therapeutics, PLC and its subsidiaries.

Overview

We are a clinical-stage biopharmaceutical company focused on developing inhibitors of acute and chronic inflammation, specifically the complement system, the eicosanoid system and the bioamine system for the treatment of rare and orphan diseases. Each of these systems has scientifically well-supported causative roles in the diseases we are targeting. We believe that blocking early mediators of inflammation will prevent initiation and continual amplification of the processes that cause certain diseases.

On September 18, 2015, we completed our acquisition, or the Acquisition, of all of the capital stock of Volution Immuno Pharmaceuticals SA, or Volution, from RPC Pharma Limited, or RPC, Volution's sole shareholder, in exchange for ordinary shares, par value £0.01, or ordinary shares, in accordance with the terms of the Share Exchange Agreement, dated as of July 10, 2015, by and among Celsus and RPC. In connection with the Acquisition, the name of the combined company was changed to Akari Therapeutics, Plc. Our American Depositary Shares, or ADSs, each representing 100 ordinary shares, began trading on The NASDAQ Capital Market under the symbol "AKTX" on September 21, 2015.

For accounting purposes, the Acquisition was treated as a "reverse acquisition" and Volution was considered the accounting acquirer. Accordingly, our consolidated financial statements reflect the historical financial statements of Volution as our historical financial statements, except for the legal capital which reflects our legal capital (ordinary shares).

In connection with the consummation of the Acquisition, Celsus issued an aggregate of 722,345,600 ordinary shares to RPC, which represented, prior to giving effect to the Financing (as defined below), 92.85% of Celsus's outstanding ordinary shares following the closing of the Acquisition (or 91.68% of Celsus ordinary shares on a fully diluted basis). This yielded a share exchange ratio of approximately 721:1 of Akari ordinary shares to RPC shares. Our earnings (loss) per share have been retrospectively adjusted in the Consolidated Statement of Comprehensive Loss to reflect this recapitalization.

In addition, on September 18, 2015, we completed a private placement of an aggregate of 3,958,811 restricted ADSs representing 395,881,100 ordinary shares for gross proceeds of \$75 million, or the "Financing", at a price of \$18.945 per restricted ADS, which represented approximately 33.3% of our outstanding ordinary shares after giving effect to the Acquisition and the Financing. We incurred \$5.4 million of share issuance costs for net proceeds of \$69.6 million.

On October 20, 2017, we completed a public offering of an aggregate of 3,480,000 ADSs representing 348,000,000 ordinary shares for gross proceeds of \$17.4 million at a price of \$5.00 per ADS. In connection with the offering we incurred \$1.7 million of share issuance costs for net proceeds of \$15.7 million.

Critical Accounting Policies and Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with United States generally accepted accounting principles, or U.S. GAAP, requires management to make estimates, judgments and assumptions. Our management believes that the estimates, judgments and assumptions used are reasonable based upon information available at the time they are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

JOBS Act

On April 5, 2012, the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, was enacted. Section 107 of the JOBS Act provides that an “emerging growth company” can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an “emerging growth company” can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We chose to “opt out” of the extended transition period related to the exemption from new or revised accounting standards, and as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. This election is irrevocable. Additionally, we are continuing to evaluate the benefits of relying on other exemptions and reduced reporting requirements provided by the JOBS Act.

Subject to certain conditions set forth in the JOBS Act, as an “emerging growth company,” we intend to rely on certain of these exemptions, including without limitation, (i) providing an auditor’s attestation report on our system of internal controls over financial reporting pursuant to Section 404 and (ii) complying with any requirement that may be adopted by the PCAOB regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements (auditor discussion and analysis). These exemptions will apply for a period of five years following the first sale of our common equity securities pursuant to an effective registration statement under the Securities Act or until we are no longer an “emerging growth company,” whichever is earlier.

Share-Based Compensation and Fair Value of Ordinary Shares

We account for awards of equity instruments issued to employees and directors under the fair value method of accounting and recognize such amounts in our Condensed Consolidated Statements of Comprehensive Loss. We measure compensation cost for all stock-based awards at fair value on the date of grant and recognize compensation expense in general administrative and research and development expenses in our Condensed Consolidated Statements of Comprehensive Loss using the straight-line method over the service period over which we expect the awards to vest.

We estimate the fair value of all time-vested options as of the date of grant using the Black-Scholes option valuation model, which was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Option valuation models require the input of highly subjective assumptions, including the expected share price volatility, which we calculate based on the historical volatility of peer companies. We use a risk-free interest rate, based on U.S. Treasury instruments in effect at the time of the grant, for the period comparable to the expected term of the option. Given our limited history with share option grants and exercises, we use the “simplified” method in estimating the expected term, the period of time that options granted are expected to be outstanding, for our grants.

We classify our stock-based payments as either liability-classified awards or as equity-classified awards. We remeasure liability-classified awards to fair value at each balance sheet date until the award is settled. We measure equity-classified awards at their grant date fair value and do not subsequently remeasure them. We have classified our share-based payments which are settled in our ordinary shares as equity-classified awards and our share-based payments that are settled in cash as liability-classified awards. Compensation costs related to equity-classified awards generally are equal to the grant-date fair value of the award amortized over the vesting period of the award. The liability for liability-classified awards generally is equal to the fair value of the award as of the balance sheet date multiplied by the percentage vested at the time. We charge (or credit) the change in the liability amount from one balance sheet date to another to changes in fair value of options and warrants liabilities gain (loss) on our condensed consolidated statements of comprehensive loss.

Warrants and RPC Options

In connection with the issuance of certain warrants, we applied ASC 470-20, “*Debt with Conversion and Other Options*” (“ASC 470-20”). In accordance with ASC 470-20, we first allocated the proceeds received to the warrant, freestanding liability instrument that is measured at fair value at each reporting date, with changes in the fair values being recognized in our Condensed Consolidated Statement of Comprehensive Loss as changes in fair value of option/warrant liabilities gain (loss). The fair value of the warrants granted was valued by using the Binomial method of valuation. The anti-dilution rights of the warrants were calculated by using the Binomial method of valuation put option using the same parameters as the warrants call option. The computation of expected volatility is based on realized historical share price volatility of our ordinary shares. The expected term is based on the contractual term. The risk-free interest rate assumption is the implied yield currently available on U.S. Treasury yield zero-coupon issues with a remaining term equal to the expected life of the options. The dividend yield assumption is based on our historical experience and expectation of no future dividend payouts and may be subject to substantial change in the future. We have historically not paid cash dividends and have no foreseeable plans to pay cash dividends in the future. At June 30, 2018, the fair value of the warrants was \$0. The change in fair value of the warrants for the six months ended June 30, 2017, was a decrease of \$34,838 and was recognized as a change in fair value of option and warrant liabilities gain (loss) in the Condensed Consolidated Statement of Comprehensive Loss. The warrants expired on April 4, 2017.

In connection with a short-term working capital loan from shareholders of approximately \$3 million, the shareholders were granted options in RPC, equivalent to 15% of the current outstanding equity issued by RPC. The RPC options were accounted for in accordance with ASC 718, "Compensation-Stock Compensation". The fair value of the RPC options is estimated using the fair value of Akari ordinary shares times RPC's ownership in Akari ordinary shares times 15% and was initially valued at approximately \$26 million. These options do not relate to the share capital of Akari. The fair value of the RPC options was \$2,288,361 and \$5,081,335 as of June 30, 2018 and December 31, 2017, respectively. The fair value of the RPC options for the three-month periods ended June 30, 2018 and 2017 increased by \$152,557 and decreased by \$6,999,529, respectively, and the fair value of the RPC options for the six-month periods ended June 30, 2018 and 2017 decreased by \$2,792,974 and \$2,667,788, respectively, and the change which represents a gain (loss), respectively, was recognized as change in fair value of option/warrant liabilities gain (loss) in the Condensed Consolidated Statements of Comprehensive Loss.

Functional Currency

The functional currency of Akari is U.S. dollars as that is the primary economic environment in which the Company operates as well as the currency in which it has been financed.

The reporting currency of the Company is U.S. Dollars. The Company translated its non-U.S. operations' assets and liabilities denominated in foreign currencies into U.S. dollars at current rates of exchange as of the balance sheet date and income and expense items at the average exchange rate for the reporting period. Translation adjustments resulting from exchange rate fluctuations are recorded as foreign currency translation adjustments, a component of accumulated other comprehensive loss. Gains or losses from foreign currency transactions and the remeasurement of intercompany balances are included in foreign currency exchange gain/(loss).

Results of Operations

For the Three Months Ended June 30, 2018 and June 30, 2017

Research and development expenses

Research and development expenses for the three months ended June 30, 2018 were approximately \$5,121,000 compared to approximately \$3,782,000 for the three months ended June 30, 2017. This \$1,339,000 increase was due primarily to higher manufacturing costs for Coversin as we manufactured clinical trial material for supply through 2019.

Our research and development expenses may increase in the future as we conduct additional clinical trials to support the clinical development of Coversin, and advance other product candidates into pre-clinical and clinical development.

General and administrative expenses

General and administrative expenses for the three months ended June 30, 2018 were approximately \$2,858,000 compared to approximately \$3,567,000 for the three months ended June 30, 2017. This \$709,000 decrease was primarily due to lower expenses of approximately \$868,000 for legal fees offset by higher rent expense of \$187,000.

Our general and administrative expenses may increase due to increased personnel, legal, accounting and professional fees and increased rental expense.

Other Income (expense)

Other expense for the three months ended June 30, 2018 was approximately \$43,000 compared to other income of approximately \$7,029,000 for the three months ended June 30, 2017. This change was primarily attributed to approximately \$153,000 of expense in the first three months of 2018 compared to approximately \$7,000,000 of income in same period in 2018 related in both instances, to the change in the fair value of the stock option and warrant liabilities.

For the Six Months Ended June 30, 2018 and June 30, 2017

Research and development expenses

Research and development expenses for the six months ended June 30, 2018 were approximately \$6,129,000 compared to approximately \$9,785,000 for the six months ended June 30, 2017. This \$3,656,000 decrease was primarily due to lower expenses related to the receipt of a \$3,794,000 research and development tax credit that was recorded as a credit to research and development costs during the six months ended June 30, 2018.

Our research and development expenses may increase in the future as we conduct additional clinical trials to support the clinical development of Coversin, and advance other product candidates into pre-clinical and clinical development.

General and administrative expenses

General and administrative expenses for the six months ended June 30, 2018 were approximately \$6,155,000 compared to approximately \$5,847,000 for the six months ended June 30, 2017. This \$308,000 increase was primarily due to higher expenses of approximately \$639,000 for professional fees, \$343,000 for insurance and \$239,000 for rent offset by lower expenses of \$891,000 for stock-based compensation.

Our general and administrative expenses may increase due to increased legal, accounting and professional fees and increased rental expense.

Other income (expenses)

Other income for the six months ended June 30, 2018 was approximately \$2,923,000 compared to approximately \$2,728,000 for the six months ended June 30, 2017. This was primarily attributed to the change in the fair value of the stock option and warrant liabilities.

Liquidity and Capital Resources

At June 30, 2018, we had \$15,069,942 in cash. In addition, as of June 30, 2018, we had accumulated losses of \$119,697,638. Since inception, we have funded our operations primarily through the sale of equity securities and debt financing. In October 2017, we completed a public offering of an aggregate of 3,480,000 ADSs representing 348,000,000 ordinary shares for gross proceeds of \$17.4 million at a price of \$5.00 per ADS. In connection with the offering, we incurred \$1.7 million of share issuance costs for net proceeds of \$15.7 million.

We have not yet generated any revenues and we expect to continue to incur net losses and negative cash flows for the foreseeable future. These net losses and negative cash flows have had, and will continue to have, an adverse effect on our shareholders' equity and working capital. We believe our current cash is sufficient to fund future operations through the end of the second quarter of 2019. This forecast of cash resources is forward-looking information that involves risks and uncertainties, and the actual amount of our expenses over the next twelve months could vary materially and adversely as a result of a number of factors, including the risks and uncertainties set forth in Item 3D under the heading "Risk Factors" of our Annual Report on Form 20-F for the year ended December 31, 2017. On September 26, 2018, we entered into a securities purchase agreement, or Purchase Agreement, with Aspire Capital Fund, LLC, an Illinois limited liability company, or Aspire Capital, which provides that, upon the terms and subject to the conditions and limitations set forth therein, Aspire Capital is committed to purchase up to an aggregate of \$20.0 million of our ADSs over the 30-month term of the Purchase Agreement. In consideration for entering into the Purchase Agreement, concurrently with the execution of the Purchase Agreement, we issued 30,000,000 Ordinary Shares to Aspire Capital and sold to Aspire Capital 25,000,000 Ordinary Shares for \$0.02 per share (equivalent to \$2.00 per ADS).

For the six months ended June 30, 2018, we reported a net loss of \$9,360,771 and we expect to continue to incur substantial losses over the next several years during our development phase. Our independent registered public accounting firm, in its report on our audited financial statements for the year ended December 31, 2017 expressed substantial doubt about our ability to continue as a going concern. To fully execute our business plan, we will need, among other things, to complete our research and development efforts and clinical and regulatory activities. These activities may take several years and will require significant operating and capital expenditures in the foreseeable future. There can be no assurance that these activities will be successful. If we are not successful in these activities or there is not a favorable resolution of the putative class action or SEC investigation, it could delay, limit, reduce or terminate preclinical studies, clinical trials or other research and development activities. To fund our capital needs, we plan to raise funds through equity or debt financings or other sources, such as strategic partnerships and alliance and licensing arrangements, and in the long term, from the proceeds from sales. Additional funds may not be available when we need them, on terms that are acceptable to it, or at all. To the extent that we raise additional funds by issuing equity securities, our shareholders may experience significant dilution. There can be no assurance that we will be successful in obtaining an adequate level of financing needed for our long-term research and development activities. If we are unable to raise sufficient capital resources, we will not be able to continue the development of all of our products or may be required to delay part of our development programs and significantly reduce our activities in order to maintain our operations. These matters raise substantial doubt about the Company's ability to continue as a going concern.

Net cash used in operating activities was approximately \$12,682,000 during the six months ended June 30, 2018 compared to approximately \$13,867,000 during the six months ended June 30, 2017. Net cash flow used in operating activities was primarily attributed to our ongoing research activities to support Coversin, including manufacturing, clinical trial and preclinical activities.

Net cash used in investing activities was approximately \$379,000 during the six months ended June 30, 2018 related to the purchase of a letter of credit compared to approximately \$9,985,000 of net cash provided by investing activities during the six months ended June 30, 2017 primarily related to maturity of short-term investments. We also used cash to purchase office equipment.

In the six months ended June 30, 2018 and 2017, we had no financing activity.

Research and Development Expenditures

Our research and development expenditures were approximately \$5,121,000 and \$3,782,000 and \$6,129,000 and \$9,785,000 for the three and six months ended June 30, 2018 and 2017, respectively. Most of such research and development expenditures were in the form of payments to third parties to carry out our manufacturing, pre-clinical and clinical research activities.

We incurred the following research and development expenses for the three and six months ended June 30, 2018 and 2017:

	Three Months ended June 30, (in \$000's)		Six Months ended June 30 (in \$000's)	
	2018	2017	2018	2017
Direct Expenses:				
Coversin	\$ 3,097	\$ 2,024	\$ 5,744	\$ 6,062
Clinical trials	916	494	2,077	1,357
Other	335	352	553	748
Total direct expenses	4,348	2,870	8,374	8,167
Indirect Expenses:				
Staffing	444	462	945	908
Other indirect	329	450	604	710
Total indirect expenses	773	912	1,549	1,618
Tax credits	-	-	(3,794)	-
Total Research and Development	\$ 5,121	\$ 3,782	\$ 6,129	\$ 9,785

Off-balance Sheet Arrangements

We currently do not have any off-balance sheet arrangements.

