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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2024

OR

☐ **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 001-36288

Akari Therapeutics, Plc
(Exact name of Registrant as specified in its Charter)

England and Wales (State or other jurisdiction of incorporation or organization)	**98-1034922** (I.R.S. Employer Identification No.)
22 Boston Wharf Road, FL 7 **Boston, Massachusetts** (Address of principal executive offices)	**02210** (Zip Code)

Registrant's telephone number, including area code: (929) 274-7510

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
American Depositary Shares, each representing 2,000 Ordinary Shares, par value $0.0001 per share	AKTX	The Nasdaq Capital Market
Ordinary Shares, $0.0001 par value per share*		The Nasdaq Capital Market

* Trading, but only in connection with the American Depositary Shares.

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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, 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 of Registrant's Ordinary Shares outstanding as of November 15, 2024 was 49,517,115,523.

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GENERAL INFORMATION

Unless otherwise stated or the context requires otherwise, references in this Quarterly Report on Form 10-Q ("Form 10-Q") to “Akari,” the “company,” the “Company,” “we,” “us,” “our” or similar designations refer to Akari Therapeutics, Plc and its subsidiaries, taken together. All trademarks, service marks, trade names and registered marks used in this report are trademarks, trade names or registered marks of their respective owners.

Statements made in this Quarterly Report on Form 10-Q concerning the contents of any agreement, contract or other document are summaries of such agreements, contracts or documents and are not complete description of all of their terms. If we filed any of these agreements, contracts or documents as exhibits to this Quarterly Report on Form 10-Q or to any previous filing with the Securities and Exchange Commission (“SEC”), you may read the document itself for a complete understanding of its terms.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q and the documents we incorporate by reference contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements, other than statements of historical fact, included or incorporated in this report regarding, among other things, our cash resources and projected cash runway, financial position, our strategy, strategic alternatives, future operations, clinical trials (including, without limitation, the anticipated timing enrollment, and results thereof), collaborations, intellectual property, future revenues, projected costs, fundraising and/or financing plans, prospects, developments relating to our competitors and our industry, the timing or likelihood of regulatory actions, filings and approvals for our current and future drug candidates, and the benefits related to the Merger Agreement (as defined below) and the plans and objectives of management are forward-looking statements. The words “believes,” “anticipates,” “estimates,” “plans,” “expects,” “intends,” “may,” “could,” “should,” “potential,” “likely,” “projects,” “intend,” “continue,” “will,” “schedule,” “would,” “aim,” “contemplate,” “estimate,” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We cannot guarantee that we will actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties, and other factors, which may be beyond our control, and which may cause the actual results, performance, or achievements of the Company to be materially different from future results, performance, or achievements expressed or implied by such forward-looking statements.

There are a number of important factors that could cause our actual results to differ materially from those indicated or implied by forward-looking statements. These important factors include those set forth under Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2023 (our “Form 10-K”) and Part II “Item 1A. Risk Factors” of this Form 10-Q and in our other disclosures and filings we have made with the SEC. These factors and the other cautionary statements made in this Form 10-Q and the documents we incorporate by reference should be read as being applicable to all related forward-looking statements whenever they appear in this Form 10-Q and the documents we incorporate by reference.

In addition, any forward-looking statements represent our estimates only as of the date that this Form 10-Q is filed with the SEC and should not be relied upon as representing our estimates as of any subsequent date. All forward-looking statements included in this Form 10-Q are made as of the date hereof and are expressly qualified in their entirety by this cautionary notice. We disclaim any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise, except as may be required by law.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

AKARI THERAPEUTICS, PLC

Condensed Consolidated Balance Sheets
(Unaudited, in U.S. dollars)

(In thousands, except share and per share amounts)	September 30, 2024	December 31, 2023*
ASSETS		
Current assets:		
Cash	$ 2,246	$ 3,845
Prepaid expenses	396	299
Other current assets	92	197
Total current assets	2,734	4,341
Patent acquisition costs, net	—	14
Total assets	$ 2,734	$ 4,355
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 4,782	$ 1,671
Accrued expenses	2,605	1,566
Convertible notes, related party	1,000	—
Warrant liability	725	1,253
Other current liabilities	316	94
Total current liabilities	9,428	4,584
Commitments and contingencies (Note 9)		
Shareholders' deficit:		
Share capital of $0.0001 par value		
Authorized: 45,122,321,523 ordinary shares at September 30, 2024 and December 31, 2023, respectively; issued and outstanding: 24,289,231,523 and 13,234,315,298 at September 30, 2024 and December 31, 2023, respectively	2,430	1,324
Additional paid-in capital	183,088	174,754
Capital redemption reserve	52,194	52,194
Accumulated other comprehensive loss	(926)	(1,040)
Accumulated deficit	(243,480)	(227,461)
Total shareholders' deficit	(6,694)	(229)
Total liabilities and shareholders' deficit	$ 2,734	$ 4,355

* The condensed balance sheet at December 31, 2023 has been derived from the audited consolidated financial statements at that date.

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

AKARI THERAPEUTICS, PLC

Condensed Consolidated Statements of Operations and Comprehensive Loss
(Unaudited, in U.S. dollars)

(In thousands, except share and per share amounts)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Operating expenses:				
Research and development	$ 143	$ (314)	$ 5,736	$ 2,941
General and administrative	1,709	2,821	6,616	8,775
Merger-related costs	992	—	2,290	—
Restructuring and other costs	83	—	1,723	—
Loss from operations	(2,927)	(2,507)	(16,365)	(11,716)
Other income (expense):				
Interest income	3	16	7	75
Interest expense	(69)	—	(120)	—
Change in fair value of warrant liability	30	(258)	528	5,889
Foreign currency exchange gain (loss), net	68	(100)	(67)	(72)
Other expense, net	—	(22)	(2)	(46)
Total other income (expense), net	32	(364)	346	5,846
Net loss	$ (2,895)	$ (2,871)	$ (16,019)	$ (5,870)
Net loss per share — basic and diluted	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Weighted-average number of ordinary shares used in computing net loss per share — basic and diluted	24,386,005,523	10,116,903,598	18,911,928,794	10,119,421,200
Comprehensive loss:				
Net loss	$ (2,895)	$ (2,871)	$ (16,019)	$ (5,870)
Other comprehensive income, net of tax:				
Foreign currency translation adjustment	(177)	(3)	114	(58)
Total other comprehensive income, net of tax	(177)	(3)	114	(58)
Total comprehensive loss	$ (3,072)	$ (2,874)	$ (15,905)	$ (5,928)

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

AKARI THERAPEUTICS, PLC

Condensed Consolidated Statements of Changes in Shareholders' Equity (Deficit)
(Unaudited, in U.S. dollars)

(In thousands, except share amounts)	Nine Months Ended September 30, 2024						
	Share Capital $0.0001 par value		Additional	Capital	Accumulated Other Comprehensive	Accumulated	Total
	Shares	Amount	Paid-in-Capital	Redemption Reserve	Loss	Deficit	Shareholders' Deficit
Balance, December 31, 2023	**13,234,315,298**	**$ 1,324**	**$ 174,754**	**$ 52,194**	**$ (1,040)**	**$ (227,461)**	**$ (229)**
Issuance of share capital related to financing, net of issuance costs	2,641,228,000	264	1,400	—	—	—	1,664
Vesting of restricted shares	97,578,000	10	(7)	—	—	—	3
Share-based compensation	—	—	296	—	—	—	296
Foreign currency translation	—	—	—	—	279	—	279
Net loss	—	—	—	—	—	(5,566)	(5,566)
Balance, March 31, 2024	**15,973,121,298**	**$ 1,598**	**$ 176,443**	**$ 52,194**	**$ (761)**	**$ (233,027)**	**$ (3,553)**
Issuance of share capital related to financing, net of issuance costs	8,059,508,000	806	6,145	—	—	—	6,951
Issuance of share capital for services	91,396,000	9	(9)	—	—	—	—
Vesting of restricted shares	285,697,400	29	(29)	—	—	—	—
Shares withheld for payroll taxes	(120,490,000)	(12)	12	—	—	—	—
Share-based compensation	—	—	445	—	—	—	445
Foreign currency translation	—	—	—	—	12	—	12
Net loss	—	—	—	—	—	(7,558)	(7,558)
Balance, June 30, 2024	**24,289,232,698**	**$ 2,430**	**$ 183,007**	**$ 52,194**	**$ (749)**	**$ (240,585)**	**$ (3,703)**
Proceeds from issuance of restricted shares	—	—	26	—	—	—	26
Shares withheld for payroll taxes	(1,175)	—	(193)	—	—	—	(193)
Share-based compensation	—	—	248	—	—	—	248
Foreign currency translation	—	—	—	—	(177)	—	(177)
Net loss	—	—	—	—	—	(2,895)	(2,895)
Balance, September 30, 2024	**24,289,231,523**	**$ 2,430**	**$ 183,088**	**$ 52,194**	**$ (926)**	**$ (243,480)**	**$ (6,694)**

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

AKARI THERAPEUTICS, PLC

Condensed Consolidated Statements of Changes in Shareholders' Equity (Deficit) (Continued)
(Unaudited, in U.S. dollars)

	Nine Months Ended September 30, 2023							
(In thousands, except share amounts)	**Share Capital $0.0001 par value Shares**	**Amount**	**Additional Paid-in-Capital**	**Capital Redemption Reserve**	**Accumulated Other Comprehensive Loss**	**Accumulated Deficit**	**Total Shareholders' Equity**
Balance, December 31, 2022	**7,444,917,123**	**$ 745**	**$ 167,076**	**$ 52,194**	**$ (771)**	**$ (217,453)**	**$ 1,791**
Issuance of share capital related to financing, net of issuance costs	2,666,666,700	267	3,235	—	—	—	3,502
Share-based compensation	—	—	265	—	—	—	265
Foreign currency translation	—	—	—	—	2	—	2
Net income	—	—	—	—	—	1,001	1,001
Balance, March 31, 2023	**10,111,583,823**	**$ 1,012**	**$ 170,576**	**$ 52,194**	**$ (769)**	**$ (216,452)**	**$ 6,561**
Vesting of restricted shares	10,737,700	1	—	—	—	—	1
Share-based compensation	—	—	276	—	—	—	276
Foreign currency translation	—	—	—	—	(57)	—	(57)
Net loss	—	—	—	—	—	(4,000)	(4,000)
Balance, June 30, 2023	**10,122,321,523**	**$ 1,013**	**$ 170,852**	**$ 52,194**	**$ (826)**	**$ (220,452)**	**$ 2,781**
Vesting of restricted shares	2,684,400	—	—	—	—	—	—
Share-based compensation	—	—	305	—	—	—	305
Foreign currency translation	—	—	—	—	(2)	—	(2)
Net loss	—	—	—	—	—	(2,871)	(2,871)
Balance, September 30, 2023	**10,125,005,923**	**$ 1,013**	**$ 171,157**	**$ 52,194**	**$ (828)**	**$ (223,323)**	**$ 213**

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

AKARI THERAPEUTICS, PLC

Condensed Consolidated Statements of Cash Flows
(Unaudited, in U.S. dollars)

(In thousands)	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (16,019)	$ (5,870)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	13	3
Share-based compensation	989	846
Change in fair value of warrant liability	(528)	(5,889)
Foreign currency exchange losses (gains)	121	(54)
Change in assets and liabilities:		
Prepaid expenses and other current assets	1,114	(223)
Accounts payable and accrued expenses	3,882	(836)
Net cash used in operating activities	(10,428)	(12,023)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of shares, net of issuance costs	8,687	3,502
Proceeds from issuance of convertible notes	1,000	—
Proceeds from issuance of restricted shares	29	1
Payments on short-term financing arrangement	(882)	—
Net cash provided by financing activities	8,834	3,503
Effect of exchange rates on cash	(5)	1
Net decrease in cash	(1,599)	(8,519)
Cash at beginning of period	3,845	13,250
Cash at end of period	$ 2,246	$ 4,731
SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES:		
Financing costs in accrued expenses	$ 72	$ —
Non-cash seller-financed purchases	$ 1,105	$ —
Payroll taxes on share-based compensation in accrued expenses	$ 193	$ —
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFO:		
Cash paid during the period for interest	$ 120	$ —

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

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

Note 1. Description of Business

Business Overview

Akari Therapeutics, Plc, (the "Company" or "Akari") is incorporated in the United Kingdom. The Company is a biotechnology company focused on developing advanced therapies for autoimmune and inflammatory diseases involving the complement component 5 ("C5") and leukotriene B4 ("LTB4") pathways. The Company's activities since inception have consisted of performing research and development activities and raising capital.

The Company is subject to a number of risks similar to those of preclinical stage companies, including dependence on key individuals, uncertainty of product development and generation of revenues, dependence on outside sources of capital, risks associated with preclinical trials of products, dependence on third-party collaborators for research and development operations, need for marketing authorization of products, risks associated with protection of intellectual property, and competition with larger, better-capitalized companies.

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 it could delay, limit, reduce or terminate preclinical studies, clinical trials or other research and development activities.

Merger with Peak Bio

As further described in Note 10, on November 14, 2024, the Company closed the previously announced merger with Peak Bio, Inc. ("Peak Bio"). As a result, the Company expanded its pipeline of assets spanning early and late development stages with the addition of Peak Bio's antibody drug conjugate ("ADC") toolkit with novel payload and linker technologies as well as the Peak Bio PHP-303 small molecule selective and reversible neutrophil elastase inhibitor. By combining chemotherapy with immunotherapy strategies, the Company aims to develop cutting-edge solutions for cancer patients.

Liquidity and Financial Condition

The Company follows the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 205-40, *Presentation of Financial Statements—Going Concern*, which requires management to assess the Company's ability to continue as a going concern within one year after the date the consolidated financial statements are issued.

The Company has incurred substantial losses and negative cash flows since inception and had an accumulated deficit of $243.5 million as of September 30, 2024. The Company's cash balance of $2.2 million as of September 30, 2024 is not sufficient to fund its operations for the one-year period after the date these condensed consolidated financial statements are issued. These factors raise substantial doubt about the Company's ability to continue as a going concern. The accompanying condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The condensed consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

The Company anticipates incurring additional losses until such time, if ever, that it can generate significant sales of its product candidates currently in development. The Company is subject to a number of risks and uncertainties similar to those of other companies of the same size within the biotechnology industry, such as uncertainty of clinical trial outcomes, uncertainty of additional funding, and history of operating losses. Substantial additional financing will be needed by the Company to fund its operations and to commercially develop its product candidates. Management is currently evaluating different strategies to obtain the required funding for future operations. These strategies may include, but are not limited to: product development financing, private placements and/or public offerings of equity and/or debt securities, and strategic research and development collaborations and/or similar arrangements. There can be no assurance that these future funding efforts will be successful.

Nasdaq Continued Listing Rules

On April 5, 2024, the Company received a letter ("Letter") from the Listing Qualifications Staff (the "Staff") of The Nasdaq Capital Market ("Nasdaq") notifying the Company that the Company's shareholders' equity as reported in its Form 10-K is no longer in compliance with the minimum shareholders' equity requirement for continued listing on Nasdaq under Nasdaq Listing Rule 5550(b)(1), which requires listed companies to maintain shareholders' equity of at least $2.5 million (the "Shareholders' Equity Requirement"). As reported on the Form 10-K, the Company's shareholders' deficit as of December 31, 2023 was approximately $0.2 million. As of September 30, 2024, the Company had a shareholders' deficit of $6.7 million and was not in compliance with the Shareholders' Equity Requirement.

In accordance with the Nasdaq Listing Rules, on May 20, 2024, the Company submitted a plan to regain compliance with the Stockholders' Equity Requirement (the "Compliance Plan") for the Staff's consideration. On August 5, 2024, the Company was notified by the Staff that it has been granted an extension until September 30, 2024 to comply with the Compliance Plan and evidence compliance with the Shareholders' Equity Requirement. On October 1, 2024, the Company received a delisting determination letter ("Delisting Determination Letter") from the Staff notifying the Company that it did not meet the terms of an extension granted by Nasdaq to regain compliance with the Shareholders' Equity Requirement. On October 8, 2024, the Company requested a hearing (the "Hearing") before the Nasdaq Listing Qualifications Panel ("Panel") to appeal the Staff's delisting determination.

On November 18, 2024, the Company received a letter from the Nasdaq Office of General Counsel notifying the Company that the Company has regained compliance with the Shareholders' Equity Requirement, and that the Hearing, originally scheduled for November 21, 2024, has been canceled.

Note 2. Summary of Significant Accounting Policies

Basis of presentation – The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and the rules and regulations of the SEC and assumes that the Company will continue to operate as a going concern. Accordingly, they do not include all the information and footnotes required by U.S. GAAP for complete financial statements. These condensed consolidated financial statements have been prepared on the same basis as the Company's annual consolidated financial statements and, in the opinion of management, reflect all adjustments, including normal and recurring adjustments, which the Company considers necessary for the fair statement of financial information. The results of operations and comprehensive loss for the three and nine months ended September 30, 2024 are not necessarily indicative of expected results for the fiscal year ended December 31, 2024 or any other future period. These interim condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements as of December 31, 2023 and notes thereto included in its Form 10-K, as filed with the SEC on March 29, 2024.

Principles of consolidation – The condensed consolidated financial statements include the accounts of the Company, Celsus Therapeutics, Inc., a Delaware corporation, Volution Immuno Pharmaceuticals SA, a private Swiss company, and Akari Malta Limited, a private Maltese company, each wholly-owned subsidiaries. All intercompany transactions have been eliminated.

Foreign currency – The functional currency of the Company is U.S. dollars, as that is the currency of 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 financial statements of certain of the Company's foreign subsidiaries are measured using their local currency as the functional currency. The Company translates 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 the Company's condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets, liabilities, expenses and related disclosures. Significant estimates and assumptions reflected in these condensed consolidated financial statements include, but are not limited to, the valuation of share-based awards, the valuation of warrant liabilities, research and development prepayments, accruals and related expenses, and the valuation allowance for deferred income taxes. The Company bases its estimates on historical experience, known trends and other market-specific or other relevant factors that it believes to be reasonable under the circumstances. Estimates are periodically reviewed considering changes in circumstances, facts and experience. Changes in estimates are recorded in the period in which they become known. Actual results may differ from those estimates or assumptions.

Concentration of credit risk – Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash. The Company generally maintains balances in various operating accounts at financial institutions in amounts that may exceed federally insured limits. The Company has not experienced any losses related to its cash and does not believe that it is subject to unusual credit risk beyond the normal credit risk associated with commercial banking relationships.

Fair value measurements – Certain assets and liabilities are carried at fair value under U.S. GAAP. 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* ("ASC 820") 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 and 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.
- *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.

Determining which category an asset or liability falls within the hierarchy requires significant judgment. The Company evaluates its hierarchy disclosures each reporting period. The fair value hierarchy also requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The carrying values of the Company's cash, prepaid expenses and other current assets, accounts payable and accrued expenses approximate their fair values due to the short-term nature of these assets and liabilities. The Company's liability-classified warrants are recorded at their estimated fair value. See Note 4.

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 September 30, 2024 or December 31, 2023.

Prepaid expenses – Payments made prior to the receipt of goods or services are capitalized until the goods or services are received.

Other current assets – Other current assets as of September 30, 2024 and December 31, 2023 were principally comprised of Value Added Tax ("VAT") receivables.

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 after their issuance in the period incurred. Amortization expense for each of the three and nine months ended September 30, 2024 and 2023 was less than $0.1 million.

Accrued expenses – As part of the process of preparing the condensed consolidated financial statements, the Company estimates 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's 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. If 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. See Note 5.

Convertible Notes – On May 10, 2024, the Company entered into unsecured convertible promissory notes (the "May 2024 Notes") with existing investors: the Company's Chairman, Dr. Ray Prudo, and Interim President and Chief Executive Officer and director of the Company, Dr. Samir Patel, for an aggregate of $1.0 million in gross proceeds. The May 2024 Notes bear interest at 15% per annum, which may be increased to 17% upon the occurrence of certain events of default as described therein, and the principal and all accrued but unpaid interest is due on the date that is the earlier of (a) ten (10) business days following the Company's receipt of a U.K. research and development tax credit from HM Revenue and Customs, and (b) November 10, 2024. Provided, however, at any time or times from the date of the note and until the tenth business day prior to closing of the Merger, the note holders are entitled to convert any portion of the outstanding and unpaid amount, including principal and accrued interest, into Company ADSs at a fixed conversion price equal to $1.59, representing the Nasdaq official closing price of the Company's ADSs on the issuance date, subject to certain restrictions. In October 2024, Drs. Prudo and Patel each elected to convert $125,000 of principal and all accrued interest into Company ADSs, resulting in the issuance of an aggregate of 406,236,000 ordinary shares represented by 203,118 ADSs. The remaining unconverted aggregate principal balance of the May 2024 Notes, or $750,000, was repaid in cash.

The Company accounts for convertible promissory notes in accordance with ASC Topic 470-20, *Debt with Conversion and Other Options* ("ASC 470-20") and has not elected the fair value option as provided for within ASC Topics 815 and 825. Accordingly, the Company evaluated the embedded conversion and other features within the May 2024 Notes to determine whether any of the embedded features should be bifurcated from the host instrument and accounted for as a derivative at fair value. Based on management's evaluation, the Company determined that the May 2024 Notes were not issued at a substantial premium and none of the embedded features were required to be bifurcated and accounted for separately. Accordingly, the May 2024 Notes are accounted for as a single liability measured at its amortized cost. Issuance costs incurred in connection with the issuance of the May 2024 Notes were immaterial. Interest expense incurred on the May 2024 Notes was less than $0.1 million for the three and nine months ended September 30, 2024. As of September 30, 2024, accrued interest on the May 2024 Notes of less than $0.1 million is included within "Accrued expenses" in the Company's balance sheets.

Warrant Liability – The Company accounts for ordinary share or ADS warrants as either equity instruments, liabilities or derivative liabilities in accordance with ASC Topic 480, *Distinguishing Liabilities from Equity* ("ASC 480") and/or ASC Topic 815, *Derivatives and Hedging* ("ASC 815"), depending on the specific terms of the warrant agreement. Liability-classified warrants are recorded at their estimated fair values at issuance and are remeasured each reporting period until they are exercised, terminated, reclassified or otherwise settled. Changes in the estimated fair value of liability-classified warrants are recorded in "change in fair value of warrant liability" in the Company's condensed consolidated statements of operations and comprehensive loss. Equity-classified warrants are recorded within "additional paid-in capital" in the Company's condensed consolidated statements of shareholders' (deficit) equity at the time of issuance and not subject to remeasurement.

In connection with the sale of the ADSs in the September 2022 Registered Direct Offering, the Company issued to the investors registered Series A warrants ("Series A Warrants") to purchase an aggregate of 755,000 ADSs at $17.00 per ADS and registered Series B warrants ("Series B Warrants") to purchase an aggregate of 755,000 ADSs at $17.00 per ADS (collectively, the "September 2022 Warrants").The Company determined that the September 2022 Warrants are not indexed to the Company's own stock in the manner contemplated by ASC 815-40-15, *Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock*. Accordingly, the Company classifies the September 2022 Warrants as derivative liabilities in its consolidated balance sheets. In September 2024, all outstanding Series A Warrants expired unexercised.

Other Current Liabilities – In February 2024, the Company entered into a short-term financing arrangement with a third-party vendor to finance insurance premiums. The aggregate amount financed under this agreement was $1.1 million, bearing interest at an annual rate of 7.49%. As of September 30, 2024, the balance of $0.2 million, which is included in "Other current liabilities" in the Company's balance sheets, is scheduled to be paid in monthly installments through November 2024.

Research and development expenses – Costs associated with research and development are expensed as incurred unless there is an alternative future use in other research and development projects. Research and development expenses include, among other costs, salaries and personnel–related expenses, fees paid for contract research services, fees paid to clinical research organizations, costs incurred by outside laboratories, manufacturers and other accredited facilities in connection with clinical trials and preclinical studies.

Payments made prior to the receipt of goods or services to be used in research and development are capitalized until the goods or services are received. The Company records expenses related to clinical studies and manufacturing development activities based on its estimates of the services received and efforts expended pursuant to contracts with multiple contract research organizations and manufacturing vendors that conduct and manage these activities on its behalf. The financial terms of these agreements are subject to negotiation, vary from contract to contract, and may result in uneven cash flows. There may be instances in which payments made to the Company's vendors will exceed the level of services provided and result in a prepayment of the expense. Payments under some of these contracts depend on factors such as the successful enrollment of subjects and the completion of clinical study milestones. In amortizing or accruing service fees, the Company estimates the time period over which services will be performed, enrollment of subjects, number of sites activated and the level of effort to be expended in each period. If the actual timing of the performance of services or the level of effort varies from the Company's estimate, the Company will adjust the accrued or prepaid expense balance accordingly.

The Company accounts for research and development tax credits at the time its realization becomes probable as a credit to research and development expenses in the condensed consolidated statements of operations and comprehensive loss. During the three and nine months ended September 30, 2024 and 2023, the Company recognized research and development tax credits of approximately $1.3 million and $2.6 million, respectively.

Merger-Related Costs – Merger-related costs include direct expenses incurred in connection with the proposed Merger, as more fully described in Note 3, and are comprised primarily of legal and professional fees and other incremental costs directly associated to the Merger. For the three and nine months ended September 30, 2024 merger-related costs totaled $1.0 million and $2.3 million, respectively.

Restructuring and Other Costs – In May 2024, the Company began to implement a reduction-in-force of approximately 67% of its total workforce as a result of the recently announced program prioritization under which the Company's HSCT-TMA program was suspended. The reduction-in-force was part of an operational restructuring plan (the "May 2024 Plan") which included the elimination of certain senior management positions and was completed in the third quarter of 2024. The purpose of the restructuring plan, including the reduction-in-force, was to reduce HSCT-TMA related operating costs, while supporting the execution of the Company's long-term strategic plan. During the three and nine months ended September 30, 2024, the Company has incurred restructuring-related charges of less than $0.1 million and $1.7 million related to the May 2024 Plan, respectively. Of the $1.7 million incurred during the nine months ended September 30, 2024, $1.4 million related to severance and other settlement payments to terminated executives and employees, and $0.3 million was non-cash expenses related to accelerated vesting of equity awards. The Company does not expect to incur additional restructuring-related expenses related to the May 2024 Plan.

As of September 30, 2024, of the $1.7 million total restructuring-related charges incurred, approximately $0.5 million was unpaid and included in accrued expenses in the accompanying condensed consolidated balance sheet. See Note 5. The Company expects these costs to be paid in the fourth quarter of 2024.

Share-based compensation expense – The Company measures all share-based awards granted to employees, directors and non-employees based on the estimated fair value on the date of grant and recognizes compensation expense of those awards over the requisite service period, which is generally the vesting period of the respective awards. Forfeitures are accounted for as they occur. The Company classifies share-based compensation expense in its condensed consolidated statements of operations and comprehensive loss in the same manner in which the award recipient's payroll costs are classified or in which the award recipient's service payments are classified.

The fair value of each restricted ordinary share award is determined on the date of grant based on the fair value of the Company's ordinary shares on that same date. The fair value of each share option grant is determined on the date of grant using the Black-Scholes option pricing model, which requires inputs based on certain assumptions, including the expected stock price volatility, the expected term of the award, the risk-free interest rate, and expected dividends. See Note 7. The Company estimates stock price volatility based on the Company's historical stock price performance over a period of time that matches the expected term of the stock options. The expected term of the Company's options has been determined utilizing the "simplified" method for awards that qualify as "plain-vanilla" options. The risk-free interest rate is determined by reference to the U.S. Treasury yield curve in effect at the time of grant of the award for time periods approximately equal to the expected term of the award. The expected dividend yield is based on the fact that the Company has never paid cash dividends on ordinary shares and does not expect to pay any cash dividends in the foreseeable future.

Leases – The Company accounts for its leases in accordance with ASC 842, *Leases*. In accordance with ASC 842, the Company records a right-of-use ("ROU") asset and corresponding lease liability on the balance sheet for all leases with terms longer than 12 months. Leases with an initial term of twelve months or less are not recorded on the condensed consolidated balance sheet and are recognized on a straight-line basis over the lease term. As of September 30, 2024 and December 31, 2023, the Company did not have any leases with a term longer than twelve months. Accordingly, no ROU assets and corresponding lease liabilities are included in the Company's condensed consolidated balance sheets as of September 30, 2024 or December 31, 2023.

Income taxes – In accordance with ASC 270, *Interim Reporting*, and ASC 740, *Income Taxes*, the Company is required at the end of each interim period to determine the best estimate of its annual effective tax rate and then apply that rate in providing for income taxes on a current year-to-date (interim period) basis. For the three and nine months ended September 30, 2024 and 2023, the Company recorded no tax expense or benefit due to the expected current year loss and its historical losses. The Company has not recorded its net deferred tax asset as of either September 30, 2024 or December 31, 2023 because it maintained a full valuation allowance against all deferred tax assets as of these dates as management has determined that it is not more likely than not that the Company will realize these future tax benefits. As of September 30, 2024 and December 31, 2023, the Company had no uncertain tax positions.

Net loss per share – Basic net 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, which includes ordinary shares underlying pre-funded warrants, as such warrant is exercisable, in whole or in part, for nominal cash consideration with no expiration date. Diluted net loss per ordinary share includes the effect, if any, from the potential exercise or conversion of securities, such as stock options, unvested restricted stock units, and warrants, which would result in the issuance of incremental ordinary shares, unless their effect would be anti-dilutive. For each of the three and nine months ended September 30, 2024 and 2023, diluted net loss per ordinary share is the same as basic net loss per ordinary share as the effects of the Company's potentially dilutive securities were anti-dilutive.

The following potential dilutive securities, presented based on amounts outstanding at the end of each reporting period, have been excluded from the calculation of diluted net loss per share because including them would have had an anti-dilutive impact:

	As of September 30,	
	2024	**2023**
Stock options	507,014,688	680,112,400
Restricted stock units	251,823,915	418,580,700
Warrants	11,562,653,300	4,155,347,500
Convertible notes	1,257,860,000	—
Total	13,579,351,903	5,254,040,600

New Accounting Pronouncements – From time to time, new accounting pronouncements are issued by the FASB and rules are issued by the SEC that the Company has or will adopt as of a specified date. Unless otherwise noted, management does not believe that any other recently issued accounting pronouncements issued by the FASB or guidance issued by the SEC had, or is expected to have, a material impact on the Company's present or future consolidated financial statements.

Recently Issued (Not Yet Adopted) Accounting Pronouncements

In November 2023, the FASB issued Accounting Standards Update ("ASU") 2023-07, *Segment Reporting: Improvements to Reportable Segment Disclosures*. This ASU modified the disclosure and presentation requirements primarily through enhanced disclosures of significant segment expenses and clarified that single reportable segment entities must apply Topic 280 in its entirety. This guidance is effective for the Company for the year beginning January 1, 2024, with early adoption permitted. The amendments should be applied retrospectively to all prior periods presented in the financial statement. The Company is currently assessing the impact of this guidance on its consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures*. This ASU improves the transparency of income tax disclosure by requiring consistent categories and greater disaggregation of information in the rate reconciliation, and income taxes paid disaggregated by jurisdiction. This guidance is effective for the Company for the year beginning January 1, 2025, with early adoption permitted. The amendments should be applied on a prospective basis, with retrospective application permitted. The Company is currently assessing the impact of this guidance on its consolidated financial statements and related disclosures.

Note 3. Agreement and Plan of Merger

Agreement and Plan of Merger

On March 4, 2024, the Company entered into an Agreement and Plan of Merger with Peak Bio and Pegasus Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of Akari ("Pegasus Merger Sub"), as amended by that certain side letter dated August 15, 2024 (the "Merger Agreement"), pursuant to which, on November 14, 2024, Pegasus Merger Sub merged with and into Peak Bio (the "Merger"), with Peak Bio surviving the Merger as a wholly owned subsidiary of Akari.

Pursuant to the Merger Agreement, and upon the terms and subject to the conditions thereof, at the effective time of the Merger (the "Effective Time"), each issued and outstanding share of Peak Bio common stock, par value $0.0001 per share (the "Peak Common Stock") (other than (x) shares of Peak Common Stock held by Peak Bio as treasury stock, or shares of Peak Common Stock owned by Akari, Pegasus Merger Sub or any direct or indirect wholly owned subsidiaries of Akari and (y) Dissenting Shares (as defined in the Merger Agreement)), was converted into the right to receive the Company's ADSs representing a number of Akari ordinary shares, par value $0.0001 per share (the "Akari Ordinary Shares") equal to 0.2935 (the "Exchange Ratio"), each such share duly and validly issued against the deposit of the requisite number of Akari Ordinary Shares in accordance with the Deposit Agreement (as defined in the Merger Agreement). The Exchange Ratio was calculated in accordance with the terms of the Merger Agreement, such that the total number of shares of Akari ADSs issued in connection with the merger was approximately 48.4% of the outstanding shares of Akari ADSs on a fully diluted basis.

The board of directors of each of Akari and Peak has unanimously approved the Merger Agreement and the transactions contemplated thereby. On November 14, 2024, the Company closed the business combination contemplated by the Merger Agreement, as more fully described in Note 10.

Note 4. Fair Value Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents information about the Company's financial liabilities measured at fair value on a recurring basis and indicates the level of the fair value hierarchy used to determine such values:

	September 30, 2024			
(In thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**
Liabilities				
Warrant liability - Series B	$ 725	$ —	$ —	$ 725
Total liabilities	$ 725	$ —	$ —	$ 725

	December 31, 2023			
(In thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**
Liabilities				
Warrant liability - Series A	$ 15	$ —	$ —	$ 15
Warrant liability - Series B	1,238	—	—	1,238
Total liabilities	$ 1,253	$ —	$ —	$ 1,253

The Company's Level 3 liabilities consist of the Series B Warrants as of September 30, 2024 and the Series A and Series B Warrants as of December 31, 2023, which were determined to be liability-classified instruments. There were no transfers between Level 1, Level 2, and Level 3 during the nine months ended September 30, 2024 and 2023.

Changes in Level 3 Liabilities Measured at Fair Value on a Recurring Basis

The following table summarizes the activity in the warrant liability measured at fair value on a recurring basis using unobservable inputs (Level 3) during the nine months ended September 30, 2024:

	Warrant Liability		
(In thousands)	**Series A**	**Series B**	**Total**
Balance, December 31, 2023	$ 15	$ 1,238	$ 1,253
Change in the fair value of liability	(15)	(513)	(528)
Balance, September 30, 2024	$ —	$ 725	$ 725

Assumptions Used in Determining Fair Value of Liability-Classified Warrants

The fair value of the warrant liability is based on significant inputs, which represents a Level 3 measurement within the fair value hierarchy. The fair value of both the Series A Warrants and the Series B Warrants was determined using the Black-Scholes Option Pricing Model, which uses various assumptions, including (i) fair value of the Company's ADSs, (ii) exercise price of the warrant, (iii) expected term of the warrant, (iv) expected volatility and (v) expected risk-free interest rate.

Below are the assumptions used for the fair value calculations of the Series B Warrants as of September 30, 2024, and Series A Warrants and Series B Warrants as of December 31, 2023:

	September 30, 2024	December 31, 2023	
	Series B	**Series A**	**Series B**
Stock (ADS) price	$ 2.95	$ 3.12	$ 3.12
Exercise price	$ 17.00	$ 17.00	$ 17.00
Expected term (in years)	5.0	0.7	5.7
Expected volatility	80.0%	85.0%	95.0%
Risk-free interest rate	3.6%	5.1%	3.9%
Expected dividend yield	—	—	—

Note 5. Accrued Expenses

Accrued expenses consisted of the following as of September 30, 2024 and December 31, 2023:

($ in thousands)	**September 30, 2024**	**December 31, 2023**
Employee compensation and benefits	$ 624	$ 187
External research and development expenses	589	635
Professional and consulting fees	861	669
Restructuring	450	—
Other	81	75
Total accrued expenses	$ 2,605	$ 1,566

Accrued restructuring expenses of approximately $0.5 million as of September 30, 2024 relate to one-time termination benefits payable to former employees, including an executive, which are payable in the fourth quarter of 2024. See Note 2.

Note 6. Shareholders' (Deficit) Equity

Ordinary Shares

On September 30, 2023, the Company's shareholders approved an increase to the number of authorized ordinary shares, par value $0.0001 (the "Ordinary Shares"), the Company can issue by 35,000,000,000 ordinary shares in addition to the number of shares outstanding on June 30, 2023. Accordingly, as of September 30, 2024 and December 31, 2023, the Company was authorized to issue up to 45,122,321,523 ordinary shares.

Currently, each ADS represents 2,000 Ordinary Shares (the "ADS Ratio"). All ADS and per ADS amounts in the accompanying condensed consolidated financial statements reflect the ADS Ratio.

May 2024 Private Placement

In May 2024, the Company entered into a definitive purchase agreement with certain investors, Dr. Prudo and Dr. Patel, pursuant to which the Company sold and issued in a private placement an aggregate of 4,029,754 ADSs, and Series C Warrants (the "Series C Warrants") to purchase up to 4,029,754 ADS, at a per unit price of $1.885 per ADS and Series C Warrant for aggregate gross proceeds of approximately $7.6 million (the "May 2024 Private Placement"). The Series C Warrants have 3-year terms ranging from May 31, 2027 to June 21, 2027 and have cashless exercise provisions in limited circumstances. The Series C Warrants (other than those issued to Dr. Prudo and Dr. Patel) have an exercise price of $1.76 per ADS. The Series C Warrants issued to Dr. Prudo and Dr. Patel have an exercise price of $1.79 per ADS. Net proceeds from the May 2024 Private Placement were approximately $7.0 million after deducting placement agent fees and other expenses.

At close of the May 2024 Private Placement, the Company issued to Paulson Investment Company, LLC ("Paulson"), as placement agent for the May 2024 Private Placement, warrants to purchase 332,380 ADSs at an exercise price of $1.885 per ADS and a term expiring on May 31, 2029 (the "May 2024 Placement Agent Warrants"). The estimated fair value of the May 2024 Placement Agent Warrants on the issuance date was approximately $0.4 million.

The Company determined that the Series C Warrants and May 2024 Placement Agent Warrants met all of the criteria for equity classification. Accordingly, upon closing of the May 2024 Private Placement, each of the Series C Warrants and May 2024 Placement Agent Warrants were recorded as a component of additional paid-in capital.

March 2024 Private Placement

In March 2024, the Company entered into a definitive purchase agreement with certain existing investors, pursuant to which the Company sold and issued in a private placement an aggregate of 1,320,614 ADSs at $1.48 per ADS, for aggregate gross proceeds of approximately $2.0 million (the "March 2024 Private Placement"). Net proceeds from the March 2024 Private Placement were approximately $1.7 million after deducting placement agent fees and other expenses.

At close of the March 2024 Private Placement, the Company issued to Paulson, as placement agent for the March 2024 Private Placement, warrants to purchase 132,061 ADSs at an exercise price of $1.85 per ADS (representing 125% of the purchase price per ADS sold in the March 2024 Private Placement) and a term expiring on March 27, 2029 (the "March 2024 Placement Agent Warrants"). The estimated fair value of the March 2024 Placement Agent Warrants on the issuance date was approximately $0.2 million.

The Company determined that the March 2024 Placement Agent Warrants met all of the criteria for equity classification. Accordingly, upon closing of the March 2024 Private Placement, each of the March 2024 Placement Agent Warrants were recorded as a component of additional paid-in capital.

December 2023 Private Placement

In December 2023, the Company entered into purchase agreements to sell, in a private placement, to existing investors, Dr. Ray Prudo and Dr. Patel, (the "December 2023 Private Placement") an aggregate of 947,868 ADSs at $2.11 per ADS, for aggregate gross proceeds of approximately $2.0 million. Net proceeds from the December 2023 Private Placement were approximately $1.8 million after deducting placement agent fees and other expenses.

September 2023 Private Placement

In September 2023, the Company entered into purchase agreements to sell in a private placement to existing investors and directors, including Dr. Prudo and Ms. Rachelle Jacques, the Company's then President and Chief Executive Officer (the "September 2023 Private Placement") an aggregate of 551,816 ADSs at $3.30 per ADS, and pre-funded warrants (the "Pre-Funded Warrants") to purchase up to 48,387 ADSs at a purchase price per Pre-Funded Warrant of $3.10, for aggregate gross proceeds of approximately $2.0 million. The Pre-Funded Warrants are exercisable at an exercise price of $0.20 per ADS and will not expire until exercised in full. The September 2023 Private Placement closed in October 2023 resulting in net proceeds of approximately $1.7 million after deducting placement agent fees and other expenses.

At close of the September 2023 Private Placement, the Company issued to Paulson, as placement agent for the September 2023 Private Placement, warrants to purchase 42,550 ADSs at an exercise price of $4.13 per ADS (representing 125% of the purchase price per ADS sold in the September 2023 Private Placement) and a term expiring on October 6, 2028 (the "October 2023 Placement Agent Warrants"). The estimated fair value of the October 2023 Placement Agent Warrants on the issuance date was approximately $0.1 million.

The Company determined that the Pre-Funded Warrants and October 2023 Placement Agent Warrants met all of the criteria for equity classification. Accordingly, upon closing of the September 2023 Private Placement, each of the Pre-Funded Warrants and October 2023 Placement Agent Warrants were recorded as a component of additional paid-in capital.

March 2023 Registered Direct Offering

On March 31, 2023, the Company entered into securities purchase agreements with certain accredited and institutional investors, including Dr. Prudo (the "March Registered Direct Offering") providing for the issuance of an aggregate of 1,333,333 ADSs in a registered direct offering at $3.00 per ADS, resulting in gross proceeds of approximately $4.0 million. Net proceeds from the March Registered Direct Offering were approximately $3.5 million after deducting placement agent fees and expenses.

Warrants

In connection with various financing transactions, the Company has issued warrants to purchase the Company's ordinary shares represented by ADSs. The Company accounts for such warrants as equity instruments or liabilities, depending on the specific terms of the warrant agreement. See Note 2 for further details on accounting policies related to the Company's warrants.

The following table summarizes the Company's outstanding warrants as of September 30, 2024 and December 31, 2023:

	Number of Warrant ADSs			
	September 30, 2024	December 31, 2023	Weighted-Average Exercise Price	Expiration Date
Equity-classified Warrants				
2019 Investor Warrants	-	59,211	$ 60.00	7/1/2024
2019 Placement Warrants	-	8,881	$ 57.00	6/28/2024
2020 Investor Warrants	139,882	139,882	$ 44.00	Feb-Mar 2025
2020 Placement Warrants	22,481	22,481	$ 51.00	Feb-Mar 2025
July 2021 Placement Agent Warrants	19,919	19,919	$ 46.40	7/7/2026
December 2021 Investor Warrants	107,775	107,775	$ 33.00	1/4/2027
December 2021 Placement Agent Warrants	8,622	8,622	$ 35.00	12/29/2026
March 2022 Investor Warrants	186,020	186,020	$ 28.00	3/10/2027
March 2022 Placement Agent Warrants	14,882	14,882	$ 30.00	3/10/2027
October 2023 Investor Prefunded Warrants	48,387	48,387	$ 0.20	None
October 2023 Placement Agent Warrants	42,550	42,550	$ 4.13	10/6/2028
March 2024 Placement Agent Warrants	132,061	—	$ 1.85	3/27/2029
May 2024 Investor Warrants	4,029,754	—	$ 1.77	May-Jun 2027
May 2024 Placement Agent Warrants	322,380	—	$ 1.89	5/31/2029
	5,074,713	658,610		
Liability-classified Warrants				
September 2022 Series A Investor Warrants	-	755,000	$ 17.00	9/14/2024
September 2022 Series B Investor Warrants	755,000	755,000	$ 17.00	9/14/2029
	755,000	1,510,000		
Total outstanding	5,829,713	2,168,610		

The following table summarizes the Company's warrants activity for the nine months ended September 30, 2024:

	Number of Warrant ADSs	Weighted-Average Exercise Price
Outstanding at December 31, 2023	2,168,610	$ 21.97
Issued	4,484,195	1.78
Exercised	—	—
Expired	(823,092)	20.52
Outstanding at September 30, 2024	5,829,713	$ 6.65

Capital Redemption Reserve

In December 2020, for the purpose of changing the nominal value of the Company's ordinary shares from £0.01 to $0.0001 the Company issued 3,847,331,913 deferred shares (the "Deferred Shares") of $0.01315. The Deferred Shares were created for technical reasons of company law and did not increase the aggregate value of share capital. Also in December 2020, the Deferred Shares were purchased by the Company in accordance with their terms of issue for aggregate consideration of $0.01 and immediately cancelled. The aggregate nominal value at cancellation was $50.6 million.

Amounts transferred from share capital on the redemption of the Deferred Shares of $50.6 million, along with the resulting foreign currency effect of the redenomination of Company ordinary shares of $1.6 million, are classified as "capital redemption reserve" within the Company's condensed consolidated balance sheets and condensed statements of shareholders' (deficit) equity.

Note 7. Share-Based Compensation

2023 Equity Incentive Plan

On June 30, 2023, the Company's shareholders approved the 2023 Equity Incentive Plan (the "2023 Plan"), which provides for the grant of stock options, both incentive stock options and nonqualified stock options, stock, with and without vesting restrictions, restricted stock units ("RSUs") and stock appreciation rights, to be granted to employees, directors and consultants. The Company is permitted to issue up to 980,000,000 ordinary shares under the 2023 Plan, plus such additional number of ordinary shares (up to 855,637,300 ordinary shares) subject to awards granted under the 2014 Equity Incentive Plan (the "2014 Plan"), to the extent such awards are forfeited, cancelled, or expire unexercised.

As of September 30, 2024, the Company had 498,903,915 ordinary shares underlying outstanding equity awards under the 2023 Plan, consisting of stock options and RSUs, and 569,501,522 ordinary shares remained available for future grants under the 2023 Plan.

The 2023 and 2014 Plans provide that they be administered by the compensation committee of the board of directors. The exercise price for stock option awards may not be less than 100% of the fair market value of the Company's ordinary shares on the date of grant and the term of awards may not be greater than ten years. The Company determines the fair value of its ordinary shares based on the quoted market price of its ADSs. Vesting periods are determined at the discretion of the compensation committee. Awards granted to employees typically vest over two to four years and directors over one year.

2014 Equity Incentive Plan

Under the 2014 Plan the Company was authorized to grant stock options, RSUs and other awards, to employees, members of the board of directors and consultants. Upon effectiveness of the 2023 Plan no further awards were available to be issued under the 2014 Plan. As of September 30, 2024, the Company had 259,934,688 ordinary shares underlying outstanding equity awards under the 2014 Plan, consisting of stock options.

Stock Options

The following is a summary of the Company's stock option activity under the 2014 Plan and the 2023 Plan for the nine months ended September 30, 2024:

($ in thousands, except share and per share data)	Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2023	651,237,400	$ 0.01	8.5	$ —
Granted	205,080,000	0.00		
Exercised	—	—		
Forfeited	(304,302,712)	0.01		
Expired	(45,000,000)	0.02		
Outstanding at September 30, 2024 (1)	507,014,688	$ 0.01	6.4	$ 2
Exercisable at September 30, 2024	425,181,355	$ 0.01	6.0	$ —

(1) Includes both vested stock options as well as unvested stock options for which the requisite service period has not been rendered but that are expected to vest based on achievement of a service condition.

The aggregate intrinsic value of options is calculated as the difference between the exercise price of the options and the fair value of the Company's ordinary shares for those options that had exercise prices lower than the fair value of the Company's ordinary shares.

The weighted-average grant-date fair value per ordinary share of options granted during each of the nine months ended September 30, 2024 and 2023 was less than $0.01.

Option Valuation

The weighted-average assumptions that the Company used to determine the fair value of share options granted were as follows, presented on a weighted average basis:

	2024	2023
Expected volatility	82.6%	99.2%
Risk-free interest rate	3.7%	3.8%
Expected dividend yield	—	—
Expected term (in years)	5.1	6.0

Restricted Stock Units

The 2014 Plan provided, and the 2023 Plan provides, for the award of RSUs. RSUs are granted to employees that are subject to time-based vesting conditions that lapse between one year and four years from date of grant, assuming continued employment. Compensation cost for time-based RSUs, which vest only on continued service, is recognized on a straight-line basis over the requisite service period based on the grant date fair of the RSUs, which is derived from the closing price of the Company's ADSs on the date of grant.

The following table summarizes the Company's RSU activity for the nine months ended September 30, 2024:

	Time-based Awards	
($ in thousands, except per share data)	**Number of Shares**	**Weighted-Average Grant Date Fair Value**
Nonvested shares at December 31, 2023	385,954,925	$ 0.00
Granted	731,393,807	0.00
Forfeited	(482,249,417)	0.00
Vested	(383,275,400)	0.00
Nonvested shares at September 30, 2024	251,823,915	$ 0.00

The fair value of time-based RSUs that vested during the nine months ended September 30, 2024 and 2023 was approximately $0.5 million and $0.2 million, respectively.

Share-Based Compensation Expense

The Company classifies share-based compensation expense in the statement of operations in the same manner in which the award recipients' payroll costs are classified or in which the award recipients' service payments are classified. Total share-based compensation expense attributable to share-based payments made to employees, consultants and directors included in operating expenses in the Company's condensed consolidated statements of operations and comprehensive loss for the three and nine months ended September 30, 2024 and 2023, was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2024**	**2023**	**2024**	**2023**
Research and development	$ 27	$ 42	$ 83	$ 105
General and administrative	221	263	621	741
Restructuring and other costs	-	—	285	—
Total share-based compensation expense	$ 248	$ 305	$ 989	$ 846

During the nine months ended September 30, 2024, 276,000,000 ordinary shares underlying unvested time-based RSUs held by a former executive upon termination of employment were accelerated, resulting in additional stock-based compensation expense of $0.3 million.

As of September 30, 2024, total unrecognized compensation cost related to unvested stock options and time-based RSUs was $0.2 million and $0.2 million, respectively. The Company expects total unrecognized compensation costs related to unvested stock options and RSUs to be recognized over a weighted average period of 1.7 and 1.8 years, respectively.

Note 8. Related Party Transactions

The Doctors Laboratory

The Company leases office space for its U.K. headquarters in London from The Doctors Laboratory ("TDL") and has incurred expenses of less than $0.1 million plus Value Added Tax ("VAT") during each of the three months ended September 30, 2024 and 2023, and approximately $0.1 million plus VAT during each of the nine months ended September 30, 2024 and 2024. David Byrne, a former non-employee director of the Company, is the Chief Executive Officer of TDL and Dr. Prudo is the non-Executive Chairman of the Board of Directors of TDL.

The Company received certain laboratory testing services for its clinical trials and other administrative services provided by TDL and incurred expenses of less than $0.1 million during each of the three months ended September 30, 2024 and 2023 and less than $0.1 million and approximately $0.1 million during each of the nine months ended September 30, 2024 and 2023, respectively.

The Company recorded payable balances owed to TDL of less than $0.1 million as of September 30, 2024 and December 31, 2023.

Interim CEO Agreement

On May 31, 2024, the Company and Dr. Patel entered into an Interim Chief Executive Officer Agreement, effective as of May 1, 2024 (the "Interim CEO Agreement"). Pursuant to the Interim CEO Agreement, Dr. Patel serves as the Company's Interim President and Chief Executive Officer as an independent contractor on an at-will basis. The Interim CEO Agreement can be terminated by the Company immediately for any reason. As the sole compensation for services provided under the Interim CEO Agreement, Dr. Patel was to be paid $50,000 per month in the form of fully vested ordinary shares. On September 16, 2024, the Company entered into an amendment to the Interim CEO Agreement (the "Amendment"), effective July 1, 2024, to revise Dr. Patel's compensation in connection with the services as Interim President and Chief Executive Officer. Pursuant to the Amendment, in lieu of receiving the stated monthly compensation of $50,000 in the form of fully vested ordinary shares, Dr. Patel shall be paid in the form of fully vested non-qualified stock options to purchase ordinary shares ("NQSO"), with the number of ADSs underlying each such monthly NQSOs grant to be equal to two times the number determined by dividing (i) $50,000 by (ii) the closing price of the Company's ADSs on the Nasdaq Capital Market on the last day of each month (or partial month) Dr. Patel serves as the Company's Interim President and Chief Executive Officer.

During the three and nine months ended September 30, 2024, the Company recognized approximately $0.1 million and $0.3 million, respectively, in non-cash share-based compensation costs pursuant to the Interim CEO Agreement, as amended, pertaining to (i) NQSOs granted to Dr. Patel to purchase 87,540,000 ordinary shares at an exercise price of less than $0.01 per ordinary share with a grant date fair value of approximately $0.2 million, and (ii) 91,396,000 fully vested ordinary shares granted to Dr. Patel.

Note 9. Commitments and Contingencies

Leases

The Company **is currently party to a short-term lease for its U.S headquarters, which currently expires in May 2025, and a short-term lease with TDL for its London offices, which currently expires in July 2025.** The Company is not party to any material lease agreements.

For each of the three months ended September 30, 2024 and 2023, the Company incurred lease costs of less than $0.1 million. For each of the nine months ended September 30, 2024 and 2023, the Company incurred leases costs of approximately $0.2 million.

Employee Benefit Plans

The Company adopted an employee benefit plan under Section 401(k) of the Internal Revenue Code for its U.S.-based employees. The plan allows employees to make contributions up to a specified percentage of their compensation. Under the plan, the Company matches 100% of employees' contributions up to 5% of the annual eligible compensation contributed by each employee, subject to Internal Revenue Code limitations.

The Company also adopted a defined contribution pension scheme which allows for U.K. employees to make contributions and provides U.K. employees with a Company contribution of 10% of compensation, subject to U.K. law.

During each of the three months ended September 30, 2024 and 2023, the Company charged less than $0.1 million to operating expenses related to the Company's contributions to employee benefit plans. During the nine months ended September 30, 2024 and 2023, the Company charged $0.1 million and $0.2 million, respectively, to operating expenses related to the Company's contributions to employee benefit plans.

Note 10. Subsequent Events

Conversion of May 2024 Notes

In October 2024, Drs. Prudo and Patel each elected to convert $125,000 of principal and all accrued interest into Company ADSs, resulting in the issuance of an aggregate of 406,236,000 ordinary shares represented by 203,118 ADSs. The remaining unconverted aggregate principal balance of the May 2024 Notes, or $750,000, was repaid in cash.

November Private Placement

On November 13, 2024, the Company entered into a securities purchase agreement with certain investors, including Akari's Chairman, Dr. Ray Prudo, and a director and Interim President and Chief Executive Officer of the Company, Dr. Samir R. Patel, pursuant to which the Company agreed to sell and issue in a private placement (the "November Private Placement") an aggregate of 1,713,402 unregistered Akari ADSs, each representing 2,000 of Akari Ordinary Shares, and Series D Warrants (the "Series D Warrants") to purchase up to 1,713,402 ADSs, at a per unit price of (i) $1.70 per ADS and Series D Warrant for all investors other than Drs. Patel and Prudo, and (ii) $2.385, which is equal to the consolidated closing bid price of the ADSs on The Nasdaq Stock Market on November 12, 2024 plus $0.125 for Drs. Patel and Prudo, for aggregate gross proceeds of $3.2 million. The November Private Placement is expected to close shortly following the closing of the Merger, subject to the satisfaction of customary closing conditions.

The Series D Warrants have a term of three years from the closing date of the November Private Placement and have cashless exercise provisions. The Series D Warrants have an exercise price of $2.26 per ADS, which is equal to the Nasdaq official closing price of Akari's ADSs on the Nasdaq Capital Market on November 12, 2024. The Series D Warrants issued to Dr. Patel and Dr. Prudo are immediately exercisable and the warrants issued to each of the other investors will be exercisable six months after issuance.

Akari paid Paulson and Chardan Capital Markets, LLC ("Chardan") (i) with respect to Paulson, a cash fee equal to 7.0% (or 3.5% for any investor that is a director or affiliate of Akari), and (ii) with respect to Chardan, a cash fee equal to 3.5%, in each case of the aggregate purchase price for the ADSs and Warrants sold in the November Private Placement.

Merger with Peak Bio

On November 14, 2024, the Company completed the previously announced strategic combination contemplated by the Merger Agreement, pursuant to which, Merger Sub merged with and into Peak Bio, with Peak Bio surviving the Merger as a wholly owned subsidiary of Akari.

Pursuant to the Merger Agreement, and upon the terms and subject to the conditions thereof, at the Effective Time, each issued and outstanding share of Peak Common Stock (other than (x) shares of Peak Common Stock held by Peak Bio as treasury stock, or shares of Peak Common Stock owned by Akari, Merger Sub or any direct or indirect wholly-owned subsidiaries of Akari and (y) Dissenting Shares (as defined in the Merger Agreement), was converted into the right to receive Akari ADSs representing a number of Akari Ordinary Shares equal to 0.2935 (the "Exchange Ratio"), each such share duly and validly issued against the deposit of the requisite number of Akari Ordinary Shares in accordance with the Deposit Agreement (as defined in the Merger Agreement). The Exchange Ratio was calculated in accordance with the terms of the Merger Agreement and is such that the total number of shares of Akari ADSs issued in connection with the Merger is approximately 48.4% of the outstanding shares of Akari on a fully diluted basis.

At the Effective Time, each warrant to purchase capital stock of Peak Bio ("Peak Warrant") that was outstanding immediately prior to the Effective Time was converted into and exchangeable for warrants to purchase a number of Akari Ordinary Shares or Akari ADSs, as determined by Akari (each, an "Adjusted Warrant"), on substantially similar terms and subject to substantially similar conditions as were applicable to such Peak Warrant immediately prior to the Effective Time, except (i) for terms rendered inoperative by reason of the transactions contemplated by the Merger Agreement, (ii) as provided in the following sentence and (iii) such amendments to the terms of the Adjusted Warrants as are necessary to comply with applicable Law (as defined in the Merger Agreement). The number of Akari Ordinary Shares (or the number of Akari Ordinary Shares underlying Akari ADSs, as applicable) subject to each Adjusted Warrant is equal to the number of shares of Peak Common Stock issuable upon exercise of such Peak Warrant immediately prior to the Effective Time multiplied by the Exchange Ratio, with any fractional Akari Ordinary Shares or Akari ADSs rounded down to the nearest whole Akari Ordinary Share or Akari ADS, as applicable, and the exercise price with respect to each Akari Ordinary Share (or each Akari Ordinary Share underlying Akari ADSs, as applicable) underlying such Adjusted Warrant equal to the exercise price of such Peak Warrant immediately prior to the Effective Time divided by the Exchange Ratio.

At the Effective Time, each option to acquire shares of Peak Common Stock ("Peak Option") that was outstanding and unexercised immediately prior to the Effective Time, whether or not vested, was assumed and converted into an option to purchase a number of Akari ordinary shares or Akari ADSs, as determined by Akari (each, an "Adjusted Option"). The number of Akari Ordinary Shares (or the number of Akari Ordinary Shares underlying Akari ADSs, as applicable) subject to the Adjusted Option is equal to the product of (i) the total number of shares of Peak Common Stock subject to such Peak Option immediately prior to the Effective Time multiplied by (ii) the Exchange Ratio, with any fractional Akari Ordinary Shares or Akari ADSs rounded down to the nearest whole Akari Ordinary Share or Akari ADS, as applicable, and the exercise price per share of each Adjusted Option equal to the exercise price of such Peak Option immediately prior to the Effective Time divided by the Exchange Ratio.

The issuance of Akari Ordinary Shares, which are represented by Akari ADSs, in connection with the Merger were registered under the Securities Act, pursuant to a registration statement on Form S-4 (File No. 333-282127) filed by Akari with the SEC and declared effective on October 11, 2024.

The parties to the Merger Agreement have agreed that the November Private Placement satisfies the conditions set forth in Sections 7.2(e) and 7.3(e) of the Merger Agreement.

Authorized Shares

On November 7, 2024, the Company's shareholders approved certain proposals such that the Company's directors or any duly authorized committee of the directors be generally and unconditionally authorized to (i) allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to a maximum aggregate nominal amount of $14,444,680 in connection with the Merger for a period expiring (unless previously renewed, varied or revoked by resolution of Akari) at the conclusion of Akari's annual general meeting in 2025, and (ii) allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of $5,546,667 for a period expiring (unless otherwise renewed, varied or revoked by the Company at a general meeting) on November 6, 2029.

2023 Equity Incentive Plan

On November 7, 2024, the Company's shareholders approved an increase in the number of shares available for the grant of awards under the 2023 Plan by 7,800,000,000 Ordinary Shares to an aggregate of 8,780,000,000 Ordinary Shares, plus such additional number of ordinary shares (up to 855,637,300 ordinary shares) subject to awards granted under the 2014 Plan, to the extent such awards are forfeited, cancelled, or expire unexercised.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with:

- *our unaudited condensed consolidated financial statements and accompanying notes included in Part I, Item 1 of this Form 10-Q; and*
- *our audited consolidated financial statements and accompanying notes included in the Form 10-K, as well as the information contained under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Form 10-K.*

In addition to historical information, this discussion and analysis contains forward-looking statements that are subject to risks and uncertainties, including those discussed in the section titled "Risk Factors," set forth in Item 1A of our Form 10-K and this Form 10-Q, that could cause actual results to differ materially from historical results or anticipated results.

Overview

We are a biotechnology company focused on developing advanced therapies for autoimmune and inflammatory diseases involving the complement component 5 ("C5") and leukotriene B4 ("LTB4") pathways. Each of these pathways 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. Our activities since inception have consisted of performing non-clinical and clinical research and development activities and raising capital.

Our lead product candidate, nomacopan, is a recombinant small protein (16,769 Da) derived from a protein originally discovered in the saliva of the *Ornithodoros moubata* tick, which modulates the host immune system to allow the parasite to feed without alerting the host to its presence or provoking an immune response. Nomacopan is a second-generation complement inhibitor which has been shown to act on complement C5, preventing release of C5a and formation of C5b-9 (also known as the membrane attack complex ("MAC")). Nomacopan also specifically sequesters and inhibits LTB4. Complement C5 and LTB4 activation and their proinflammatory actions are typically co-localised during an immune reaction. With its unique bispecific mode of action and biophysical properties, we believe nomacopan may be able to prevent inflammatory and prothrombotic activities of these two important pathways and also and has the potential to be formulated for administration by a variety of routes including subcutaneous, intravenous, topical to eye, inhaled and intravitreous.

We are investigating PAS-nomacopan, a long-acting form of nomacopan that is a bispecific inhibitor of C5 and LTB4, for the intravitreal treatment of geographic atrophy ("GA") secondary to dry age-related macular degeneration ("AMD") in preclinical studies. Following a positive and constructive Pre-Investigational New Drug application meeting with FDA in August 2024, we are completing final non-clinical studies and Good Manufacturing Practices ("GMP") manufacturing and expect to file an Investigational New Drug Application ("IND") with the FDA in 2025 for PAS-nomacopan in GA. We believe PAS-nomacopan has the potential for longer dose intervals between intravitreous injections than currently approved complement only inhibitors, as well as potential reduction of the choroidal neovascularization ("CNV") risk that is associated with approved inhibitors. CNV is a sight-threatening over development of blood vessels within the retina, which is typically treated with anti-vascular endothelial growth factor ("VEGF") intravitreal injections. As a bispecific inhibitor of complement C5 and LTB4 we believe PAS-nomacopan may be more efficacious than marketed treatments for GA that only inhibit complement.

Until May 2024, we were conducting a clinical trial of subcutaneous nomacopan for the treatment of hematopoietic stem cell transplant-related thrombotic microangiopathy ("HSCT-TMA") in pediatrics. Following completion of a portfolio prioritization review, we announced that our HSCT-TMA program will be suspended, as more fully described below.

Recent Developments

Pipeline Prioritization of the Merged Companies

In May 2024, we announced the completion of a joint portfolio prioritization review pursuant to which the anticipated combined entity, following completion of the proposed Merger (as defined below), will focus on Peak Bio's antibody drug conjugate ("ADC") platform technology and our PAS-nomacopan GA program. As a result, our HSCT-TMA program was suspended, with enrollment in our pediatric clinical study discontinued due to cost and timeline. Following the closing of the Merger on November 14, 2024, we have expanded our pipeline of assets spanning early and late development stages with the addition of Peak Bio's ADC toolkit with novel payload and linker technologies as well as the Peak Bio PHP-303 small molecule selective and reversible neutrophil elastase inhibitor. The ADC program includes a novel pre-clinical ADC candidate targeting TROP-2. By combining chemotherapy with immunotherapy strategies, we aim to develop cutting-edge solutions for cancer patients. Further, related to PHP-303, we expect to emphasize partnering/collaboration and licensing opportunities with broad potential impact on patients. We also plan to work closely with the FDA to define the best path for this platform and will pursue opportunities for external partnering/collaboration and licensing for nomacopan, including as a potential treatment for pediatric HSCT-TMA.

Restructuring and Reduction-in-Force

In May 2024, we began to implement a reduction-in-force (the "RIF") of approximately 67% of our total workforce, as a result of the recently announced program prioritization under which our HSCT-TMA program was suspended. The RIF is part of an operational restructuring plan and includes the elimination of certain senior management positions and was substantially completed by the end of the second quarter. The purpose of the restructuring plan, including the reduction-in-force, is to reduce HSCT-TMA related operating costs, while supporting the execution of our long-term strategic plan. For additional information, refer to the below discussion under the heading "Restructuring and Other Costs" and Note 2 to the notes to unaudited condensed consolidated financial statements included elsewhere in this Form 10-Q.

Merger Agreement

On November 14, 2024, we completed the previously announced strategic combination (the "Closing") contemplated by that Agreement and Plan of Merger by and among Akari, Peak Bio, Inc. ("Peak Bio") and Pegasus Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of Akari ("Merger Sub") as amended by that certain side letter dated August 15, 2024 (the "Merger Agreement"), pursuant to which, upon the terms and subject to the conditions thereof, Merger Sub was merged with and into Peak Bio (the "Merger"), with Peak Bio surviving the Merger as a wholly owned subsidiary of Akari.

For additional information on the Merger and the Closing, refer to Note 3 and Note 10 to the notes to unaudited condensed consolidated financial statements included elsewhere in this Form 10-Q.

Results of Operations

Three and Nine Months Ended September 30, 2024 and 2023

Overview

During the three months ended September 30, 2024, our loss from operations totaled $2.9 million, a 17% increase, compared to a loss from operations of $2.5 million for the three months ended September 30, 2023. During the nine months ended September 30, 2024, our loss from operations totaled $16.4 million, a 40% increase, compared to a loss from operations of $11.7 million for the nine months ended September 30, 2023. Our total operating expenses are set forth by category in the table below:

($ in thousands)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	$ Change	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023	$ Change
Operating expenses:						
Research and development	$ 143	$ (314)	$ 457	$ 5,736	$ 2,941	$ 2,795
General and administrative	1,709	2,821	(1,112)	6,616	8,775	(2,159)
Merger-related costs	992	—	992	2,290	—	2,290
Restructuring and other costs	83	—	83	1,723	—	1,723
Total operating expenses	$ 2,927	$ 2,507	$ 420	16,365	11,716	4,649
Loss from operations	$ (2,927)	$ (2,507)	$ (420)	$ (16,365)	$ (11,716)	$ (4,649)

Research and development expenses

Our research and development expenses are charged to operations as incurred, and we incur both direct and indirect expenses for each of our programs. We track direct research and development expenses by preclinical and clinical programs, which may include third-party costs such as CROs, contract laboratories, consulting, and clinical trial costs. We do not allocate indirect research and development expenses, which may include product development and manufacturing, clinical, medical, regulatory, laboratory (equipment and supplies), personnel, facility and other overhead costs, to specific programs.

During the three months ended September 30, 2024, total research and development expenses increased by approximately $0.5 million, or 146%, as compared to the three months ended September 30, 2023. During the nine months ended September 30, 2024, total research and development expenses increased by approximately $2.8 million, or 95%, as compared to the nine months ended September 30, 2023. The following sets forth research and development expenses for the three and nine months ended September 30, 2024 and 2023 by category:

($ in thousands)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	$ Change	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023	$ Change
Clinical Trials:						
HSCT-TMA clinical development (AK901)	$ 477	$ 364	$ 113	$ 1,560	$ 1,088	$ 472
BP clinical development (AK802)	—	(10)	10	—	(1,073)	1,073
Chemistry, manufacturing and control	459	795	(336)	3,401	1,639	1,762
Other external development expenses	159	281	(122)	754	1,346	(592)
Personnel costs	330	827	(497)	1,303	2,512	(1,209)
Tax credits	(1,282)	(2,571)	1,289	(1,282)	(2,571)	1,289
Total research and development expenses	$ 143	$ (314)	$ 457	$ 5,736	$ 2,941	$ 2,795

HSCT-TMA clinical development (AK901)

These expenses include external expenses that we have incurred in connection with the development of nomacopan for the treatment of pediatric HSCT-TMA and primarily consist of payments to CROs and other vendors. The $0.1 million, or 31%, increase in expenses incurred during the three months ended September 30, 2024 and $0.5 million, or 43%, increase in expenses incurred during the nine months ended September 30, 2024, each as compared to the corresponding 2023 period, is primarily due to changes in clinical trial status and related impact on direct service fees incurred with CROs and timing of investigator payments. While the increase for three months ended September 30, 2024 was primarily due to clinical trial close out costs, the increase for the nine months ended September 30, 2024 was also due to increases in patient enrollment and related clinical trial costs incurred during the first quarter of 2024, prior to suspension of the program. In May 2024, following the completion of a pipeline prioritization review, we determined to suspend our HSCT-TMA program. Accordingly, we expect future HSCT-TMA costs to decrease following completion of the wind-down and closeout of the clinical trial.

BP clinical development (AK802)

These expenses previously included external expenses that we incurred in connection with the development of nomacopan for the treatment of bullous pemphigoid (“BP”) and primarily consist of payments to CROs and other vendors. In 2022, we discontinued our BP clinical program and in connection with the final reconciliation of clinical trial close-out costs, we recorded a $1.1 million credit in 2023 and do not expect to incur material additional costs related to this program.

Chemistry, manufacturing and control

These expenses include external expenses incurred related to the development and manufacturing of nomacopan for use in clinical trials and preclinical development of PAS-nomacopan. Such expenses primarily consist of payments to CMOs and other vendors for manufacturing of drug substance (including raw materials), drug product, supplies, and validation, quality assurance and manufacturing development activities. The $0.3 million, or 42%, decrease in expenses incurred during the three months ended September 30, 2024 and $1.8 million, or 108%, increase in expenses incurred during the nine months ended September 30, 2024, each as compared to the corresponding periods in 2023, is primarily due to the timing of manufacturing and development activities, including decreases in spending on the development of and preparation for manufacturing of PAS-nomacopan during the three months ended September 30, 2024 as a result of the completion of PAS-nomacopan good manufacturing practice (“GMP”) drug substance manufacturing during the second quarter of 2024 which was the primary reason for the increase in costs during the nine months ended September 30, 2024, as compared to 2023.

Other external development expenses

These expenses include external expenses, such as payments to contract vendors, which may be related to preclinical development activities and other unallocated expenses. The $0.1 million, or 43%, decrease in expenses incurred during the three months ended September 30, 2024 and $0.6 million, or 44%, decrease in expenses incurred during the nine months ended September 30, 2024, each as compared to the corresponding periods in 2023, is primarily related to lower costs incurred related to preclinical studies and other development work investigating PAS-nomacopan for the treatment of GA.

Personnel costs

These expenses include compensation and related costs associated with employees, independent consultants and staffing firms. The $0.5 million, or 60%, decrease in expenses incurred during the three months ended September 30, 2024 and $1.2 million, or 48%, decrease in expenses incurred during the nine months ended September 30, 2024, each as compared to the corresponding periods in 2023, is primarily due to the impact of the RIF which was announced in May 2024, along with lower costs incurred with consultants. Separation benefits paid to impacted employees are classified separately under “Restructuring and other costs” as discussed below.

Tax credits

We record receipts of U.K. tax credits in the year received as a reduction in research and development expenses. Changes in tax credits received are the result of eligible research and development expenses incurred in the previous tax year, which can fluctuate depending on timing of and location in which expenses are incurred.

The extent of our future research and development expenditures will be determined based on future funding and closing of the Merger.

General and administrative expenses

During the three months ended September 30, 2024, total general and administrative costs decreased by approximately $1.1 million, or 39%, as compared to the three months ended September 30, 2023. During the nine months ended September 30, 2024, total general and administrative costs decreased by approximately $2.2 million, or approximately 25%, as compared to the nine months ended September 30, 2023. The decreases during both periods were primarily due to decreases in personnel costs resulting from the impact of the RIF which was announced in May 2024, along with lower costs incurred with consultants. Separation benefits paid to impacted employees are classified separately under “Restructuring and other costs” as discussed below.

Merger-related Costs

Merger-related costs consist of direct expenses incurred in connection with the proposed Merger and are comprised primarily of legal and professional fees.

Merger-related costs for the three and nine months ended September 30, 2024 were $1.0 million and $2.3 million, respectively. No such costs were incurred during the corresponding 2023 periods.

Restructuring and Other Costs

Restructuring costs consist primarily of severance and related benefit costs related to workforce reductions incurred in connection with the RIF, which the Company began to implement in May 2024.

Restructuring and other costs for the three and nine months ended September 30, 2024 were $0.1 million and $1.7 million, respectively, and includes $0.3 million of non-cash share-based compensation expense for the nine months ended September 30, 2024. No such costs were incurred during the corresponding 2023 periods.

Interest income

Interest income consists primarily of interest income received on deposits.

During the three and nine months ended September 30, 2024 and 2023, interest income was less than $0.1 million. Interest income may fluctuate from period to period due to changes in average cash balances and prevailing interest rates.

Interest expense

Interest expense primarily consists of interest incurred on the May 2024 Notes and in connection with the financing of director and officer insurance premiums.

During the three and nine months ended September 30, 2024, interest expense was less than $0.1 million and approximately $0.1 million, respectively. Interest expense may fluctuate from period to period due to changes in average interest-bearing loans and related interest rates. No interest expense was recognized during the three and nine months ended September 30, 2023.

Change in fair value of warrant liability

Change in fair value of warrant liability represents non-cash warrant revaluation gains or losses related to the remeasurement of our liability-classified September 2022 Warrants, as more fully described in Note 2 and Note 4 of the notes to the condensed consolidated financial statements appearing elsewhere in this Form 10-Q. Due to the nature of and inputs in the model used to assess the fair value of our outstanding September 2022 Warrants, it is not abnormal to experience significant fluctuations during each remeasurement period. These fluctuations may be due to a variety of factors, including changes in our stock price and changes in estimated stock price volatility over the remaining life of the warrants.

During the three months ended September 30, 2024, we recorded a change in the fair value of warrant liability, representing a non-cash warrant revaluation gain of less than $0.1 million, as compared to a non-cash warrant revaluation loss of approximately $0.3 million for the three months ended September 30, 2023. Changes in the fair value of the warrant liability and resulting warrant revaluation gain for the three months ended September 30, 2024 was driven primarily by decreases in expected term and expected volatility assumptions during the reporting period. Changes in the fair value of the warrant liability and resulting warrant revaluation loss for the three months ended September 30, 2023 was driven primarily by an increase in our stock price during the reporting period.

During the nine months ended September 30, 2024 and 2023, we recorded a change in the fair value of warrant liability, representing a non-cash warrant revaluation gain, of approximately $0.5 million and $5.9 million, respectively. Changes in the fair value of the warrant liability and resulting warrant revaluation gains for each of the nine months ended September 30, 2024 and 2023 was driven by a decrease in our stock price and decreases in expected term and expected volatility assumptions during the reporting period.

Foreign currency exchange gain (loss), net

During the three months ended September 30, 2024, we recorded a net foreign currency exchange gain of $0.1 million, as compared to a net foreign currency exchange loss for the three months ended September 30, 2023. During each of the nine months ended September 30, 2024 and 2023, we recorded a net foreign currency exchange loss of less than $0.1 million. Exchange gains and losses can fluctuate significantly from period to period due to changes in exchange rates as well as the volume and timing of expenditures and related payments denominated in foreign currencies.

Other expense, net

During each of the three and nine months ended September 30, 2024 and 2023, net other expense was less than $0.1 million and not material. Such expenses are not expected to be material to our future results of operations.

Net Loss Applicable to Ordinary Shareholders

As a result of the factors discussed above, net loss applicable to ordinary shareholders for each of the three months ended September 30, 2024 and 2023 was $2.9 million. Net loss applicable to ordinary shareholders for the nine months ended September 30, 2024 and 2023 was $16.0 million and $5.9 million, respectively.

Financial Condition, Liquidity and Capital Resources

Sources of Liquidity

Since inception, we have incurred substantial losses, and we have primarily funded our operations with proceeds from the sale of equity securities, including ordinary shares, warrants and pre-funded warrants, and convertible notes. At September 30, 2024, we had $2.2 million in cash and an accumulated deficit of $243.5 million. To date, we have not generated any revenue.

We have devoted substantially all of our efforts to research and development, including clinical trials, and we have not commercialized any products. Our research and development activities, together with our general and administrative expenses, are expected to continue to result in substantial operating losses for the foreseeable future. These losses, among other things, have had and will continue to have an adverse effect on our shareholders' equity, total assets and working capital. Due to the numerous risks and uncertainties associated with developing drug candidates and, if approved, commercial products, we are unable to predict the extent of any future losses, whether or when any of our drug candidates will become commercially available or when we will become profitable, if at all. Our future capital requirements will depend on many factors, including:

- the progress and costs of our preclinical studies, clinical trials and other research and development activities;
- the costs associated with the completion of the Merger and integration activities related thereto;
- the scope, prioritization and number of our clinical trials and other research and development programs;
- the amount of revenues and contributions we receive under future licensing, development and commercialization arrangements with respect to our product candidates;
- the costs of the development and expansion of our operational infrastructure;
- the costs and timing of obtaining regulatory approval for our product candidates;
- the costs of filing, prosecuting, enforcing and defending patent claims and other intellectual property rights;
- the costs and timing of securing manufacturing arrangements for clinical or commercial production;
- the costs of contracting with third parties to provide sales and marketing capabilities for us;
- the magnitude of our general and administrative expenses; and
- any cost that we may incur under future in- and out-licensing arrangements relating to our product candidates.

We currently do not have any firm commitments for future external funding. We will need to raise additional funds, and we may decide to raise additional funds even before we need such funds if the conditions for raising capital are favorable. Until we can generate significant recurring revenues, we expect to satisfy our future cash needs through debt or equity financings, credit facilities or by out-licensing applications of our product candidates. The sale of equity or convertible debt securities may result in dilution to our existing shareholders. The incurrence of indebtedness would result in increased fixed obligations and could also subject us to covenants that restrict our operations. We cannot be certain that additional funding, whether through grants, financings, credit facilities or out-licensing arrangements, will be available to us on acceptable terms, if at all. If sufficient funds are not available, we may be required to delay, reduce the scope of or eliminate research or development plans for, or commercialization efforts with respect to, one or more applications of our product candidates, or obtain funds through arrangements with collaborators or others that may require us to relinquish rights to certain potential products that we might otherwise seek to develop or commercialize independently.

November 2024 Private Placement

As discussed in Note 10 to our notes to unaudited condensed consolidated financial statements included elsewhere in this Form 10-Q, in November 2024, we entered into a purchase agreement with certain investors, pursuant to which we agreed to sell and issue in a private placement an aggregate of 1,713,402 ADSs, and warrants to purchase up to 1,713,402 ADS, at a per unit (each unit consists of one ADS and one warrant) purchase price of (i) $1.70 per ADS and warrant for all investors other than Drs. Patel and Prudo, and (ii) $2.385, which is equal to the consolidated closing bid price of the ADSs on The Nasdaq Stock Market on November 12, 2024 plus $0.125 for Drs. Patel and Prudo, for aggregate gross proceeds of $3.2 million.

May 2024 Private Placement

As discussed in Note 6 to our notes to unaudited condensed consolidated financial statements included elsewhere in this Form 10-Q, in May 2024, we entered into a purchase agreement with certain investors, pursuant to which we sold and issued in a private placement an aggregate of 4,029,754 ADSs, and warrants to purchase up to 4,029,754 ADS, at a per unit (each unit consists of one ADS and one warrant) purchase price of $1.885, for aggregate gross proceeds of approximately $7.6 million. Net proceeds from the May 2024 Private Placement were approximately $7.0 million after deducting placement agent fees and other expenses.

May 2024 Convertible Notes

As discussed in Note 2 to our notes to unaudited condensed consolidated financial statements included elsewhere in this Form 10-Q, in May 2024, we entered into convertible promissory notes with existing investors and directors, Dr. Prudo and Dr. Patel, for an aggregate of $1.0 million (the “May 2024 Notes”).

March 2024 Private Placement

As discussed in Note 6 to our notes to unaudited condensed consolidated financial statements included elsewhere in this Form 10-Q, in March 2024, we entered into a definitive purchase agreement with certain existing investors, pursuant to which we sold and issued in a private placement an aggregate of 1,320,614 ADSs at $1.48 per ADS, for aggregate gross proceeds of approximately $2.0 million. Net proceeds from the March 2024 Private Placement were approximately $1.7 million after deducting placement agent fees and other expenses.

Funding Requirements

As of the date of this report, we expect our existing cash, plus cash expected to be received from the November 2024 Private Placement to be sufficient to fund our operations into the first quarter of 2025. We do not currently have any products approved for sale and do not generate any revenue from product sales. We are currently seeking and expect to continue to seek additional funding through financings of equity and/or debt securities. We may also engage in strategic research and development collaborations, clinical funding arrangements, the sale or license of technology assets, and/or other strategic alternatives.

Financing may not be available to us when we need it, or on favorable or acceptable terms, or at all. We could be required to seek funds through means that may require us to relinquish rights to some of our technologies, drug candidates or drugs that we would otherwise pursue on our own. In addition, if we raise additional funds by issuing equity securities, our then existing shareholders may experience dilution. The terms of any financing may adversely affect the holdings or the rights of existing shareholders. An equity financing that involves existing shareholders may cause a concentration of ownership. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends, and are likely to include rights that are senior to the holders of our ordinary shares. Any additional debt or equity financing may contain terms which are not favorable to us or to our shareholders, such as liquidation and other preferences, or liens or other restrictions on our assets. As discussed in

Note 9 to the consolidated financial statements included in the 2023 Form 10-K, additional equity financings may also result in cumulative changes in ownership over a three-year period in excess of 50% which would limit the amount of net operating loss and tax credit carryforwards that we may utilize in any one year.

If we are unable to raise additional capital when required, or on acceptable terms, we may be required to:

- significantly delay, scale back, or discontinue the development or commercialization of our product candidates;
- seek strategic alliances for research and development programs at an earlier stage than otherwise would be desirable or that we otherwise would have sought to develop independently, or on terms that are less favorable than might otherwise be available in the future;
- dispose of technology assets, including current product candidates, or relinquish or license on unfavorable terms, our rights to technologies or any of our product candidates that we otherwise would seek to develop or commercialize ourselves;
- pursue the sale of our company to a third party at a price that may result in a loss on investment for our shareholders; or
- file for bankruptcy or cease operations altogether.

Any of these events could have a material adverse effect on our business, operating results, and prospects.

We believe the key factors which will affect our ability to obtain funding are:

- the receptivity of the capital markets to financings by biotechnology companies generally and companies with drug candidates and technologies similar to ours specifically;
- the receptivity of the capital markets to any in-licensing, product acquisition or other transaction we may enter into or attempt to enter into;
- our ability to successfully integrate operations with Peak Bio following the Merger and realize anticipated benefits of the Merger;
- the results of our clinical development activities in our drug candidates we develop on the timelines anticipated;
- competitive and potentially competitive products and technologies and investors' receptivity to our drug candidates we develop and the technology underlying them in light of competitive products and technologies;
- the cost, timing, and outcome of regulatory reviews; and
- continued compliance with both Nasdaq continued listing requirements and Exchange Act requirements.

In addition, increases in expenses or delays in clinical development may adversely impact our cash position and require additional funds or cost reductions.

Based on our recurring losses from operations incurred since inception, our expectation of continuing operating losses for the foreseeable future, negative operating cash flows for the foreseeable future, and the need to raise additional capital to finance its future operations, we have concluded that there is substantial doubt regarding our ability to continue as a going concern within one year after the date that our unaudited condensed consolidated financial statements, included elsewhere in this Form 10-Q (such unaudited condensed consolidated financial statements, the "consolidated financial statements") are issued. The accompanying unaudited condensed consolidated financial statements have been prepared assuming that we will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As such, the accompanying condensed consolidated financial statements do not reflect any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary if we are unable to continue as a going concern.

Cash Flows

The following table summarizes our sources and uses of cash for each of the periods presented (in thousands):

(In thousands)	**Nine Months Ended September 30, 2024**	**Nine Months Ended September 30, 2023**
Net cash (used in) provided by:		
Net cash used in operating activities	$ (10,428)	$ (12,023)
Net cash provided by financing activities	8,834	3,503
Effect of exchange rates on cash	(5)	1
Net decrease in cash	$ (1,599)	$ (8,519)

Operating Activities. The net cash used in operating activities for the periods presented consists primarily of our net loss adjusted for non-cash charges and changes in components of working capital. The decrease in cash used in operating activities during the nine months ended September 30, 2024, as compared to the 2023 period, was primarily due to the net impact of deferrals of payables in order to preserve cash until additional capital is raised for working capital purposes, partially offset by an increase in operating expenses.

Investment Activities. There were no investing activities during the nine months ended September 30, 2024 and 2023.

Financing Activities. Net cash provided by financing activities primarily consisted of the following:

- For the nine months ended September 30, 2024, an aggregate of $8.7 million in net proceeds received from debt and equity financings, including (i) $1.7 million in net proceeds from the March 2024 Private Placement, (ii) $1.0 million in net proceeds from the issuance of the May 2024 Notes, and (iii) $7.0 million in net proceeds from the May 2024 Private Placement, partially offset by $0.9 million in payments related to our short-term insurance premium financing arrangement; and

- For the nine months ended September 30, 2023, an aggregate of $3.5 million in net proceeds received from the March 2023 Registered Direct Offering.

Material Cash Requirements

During the nine months ended September 30, 2024, there were no material changes outside the ordinary course of our business to our contractual obligations and cash requirements, as disclosed in our Form 10-K.

Critical Accounting Estimates

This management's discussion and analysis of financial condition and results of operations is based on our condensed consolidated financial statements, which have been prepared in accordance with U.S. GAAP. In doing so, we must make estimates and assumptions that affect our reported amounts of assets, liabilities and expenses, as well as related disclosure of contingent assets and liabilities. On an ongoing basis, management evaluates its estimates and judgments, including, but not limited to, those related to (i) share-based compensation, (ii) fair value of warrants classified as liabilities, (iii) research and development prepayments, accruals and related expenses, and (iv) the valuation allowance for deferred income taxes. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We regard an accounting estimate or assumption underlying our financial statements as a "critical accounting estimate" if:

- the nature of the estimate or assumption is material due to the level of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change; and

- the impact of the estimates and assumptions on financial condition or operating performance is material.

There have been no material changes to our critical accounting policies and estimates since December 31, 2023. See "*Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Estimates"* of our Form 10-K, for a discussion of significant estimates and assumptions made by our management as part of the preparation of this management's discussion and analysis of financial condition and results of operations and accompanying condensed consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are a smaller reporting company, as defined by Rule 12b-2 of the Securities Exchange Act of 1934, as amended, and are not required to provide the information required under this item.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

a) Evaluation of Disclosure Controls and Procedures.

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2024. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and our management necessarily applied its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on this evaluation, our principal executive officer and principal financial officer concluded that as of September 30, 2024, our disclosure controls and procedures were (1) designed to ensure that material information relating to us is made known to our principal executive officer and principal financial officer by others, particularly during the period in which this report was prepared, and (2) effective, in that they provide reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

b) Changes in Internal Control over Financial Reporting.

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fiscal quarter ended September 30, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we may become involved in various legal proceedings that arise in the ordinary course of our business. We are not currently a party to any material legal proceedings, and are not aware of any pending or threatened legal proceeding against us that we believe could have an adverse effect on our business, operating results or financial condition.

Item 1A. Risk Factors.

There have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023 and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2024 and June 30, 2024.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

During the three months ended September 30, 2024, we did not have any sales of unregistered securities.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None of our directors or "officers," as defined in Rule 16a-1(f) under the Securities Exchange Act of 1934, adopted or terminated a Rule 10b5-1 trading plan or arrangement or a non-Rule 10b5-1 trading plan or arrangement, as defined in Item 408(c) of Regulation S-K, during the fiscal quarter covered by this report.

Nasdaq Compliance Update

On April 5, 2024, we received a letter ("Letter") from the Listing Qualifications Staff (the "Staff") of The Nasdaq Capital Market ("Nasdaq") notifying us that our shareholders' equity as reported in our Form 10-K was not in compliance with the minimum shareholders' equity requirement under Nasdaq Listing Rule 5550(b)(1), which requires listed companies to maintain shareholders' equity of at least $2.5 million (the "Shareholders' Equity Requirement"). In accordance with the Nasdaq Listing Rules, on May 20, 2024, we submitted a plan to regain compliance with the Stockholders' Equity Requirement (the "Compliance Plan") for the Staff's consideration. On August 5, 2024, we were notified by the Staff that we had been granted an extension until September 30, 2024 to comply with the Compliance Plan and evidence compliance with the Shareholders' Equity Requirement. On October 1, 2024, we received a delisting determination letter ("Delisting Determination Letter") from the Staff notifying us that we did not meet the terms of the extension. On October 8, 2024, we requested a hearing before the Nasdaq Listing Qualifications Panel to appeal the Staff's delisting determination.

On November 18, 2024, we received a letter from the Nasdaq Office of General Counsel notifying us that we have regained compliance with the Shareholders' Equity Requirement. While we have regained compliance with the Shareholder's Equity Requirement, we cannot guarantee that we will maintain compliance with this requirement and the other continued listing requirements of Nasdaq.

Item 6. Exhibits.

Exhibit Number	Description
10.1	Side Letter Agreement, dated August 15, 2024, by and among Akari Therapeutics, Plc, Pegasus Merger Sub, Inc. and Peak Bio, Inc. (incorporated by reference to Exhibit 10.5 to Registrant's Quarterly Report on Form 10-Q, as filed with the SEC on August 19, 2024).
10.2†	Amendment to Interim Chief Executive Officer Agreement, between Akari Therapeutics, Plc and Samir R. Patel, M.D., dated as of September 16, 2024 (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K, as filed with the SEC on September 18, 2024).
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document–the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.

** This certification is not deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Registrant specifically incorporates it by reference.

† Indicates management contract or compensatory arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized**.**

Akari Therapeutics, Plc

Date: November 19, 2024	By: /s/ Samir R. Patel, M.D. **Samir R. Patel, M.D.** ***Interim President, Chief Executive Officer and Director*** ***(Principal Executive Officer)***
Date: November 19, 2024	By: /s/ Wendy DiCicco **Wendy DiCicco** ***Interim Chief Financial Officer*** **(Principal Financial Officer)**

Exhibit 31.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER UNDER SECTION 302 OF THE SARBANES-OXLEY ACT

I, Samir R. Patel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Akari Therapeutics, Plc;
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 company'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 company, 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 company'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 company's internal control over financial reporting that occurred during the company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company'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 company'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 company's internal control over financial reporting.

Date: November 19, 2024

/s/ Samir R. Patel, M.D.

Samir R. Patel, M.D.
Interim President and Chief Executive Officer, and Director
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER UNDER SECTION 302 OF THE SARBANES-OXLEY ACT

I, Wendy DiCicco, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Akari Therapeutics, Plc;
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 company'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 company, 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 company'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 company's internal control over financial reporting that occurred during the period covered by the company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company'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 company'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 company's internal control over financial reporting.

Date: November 19, 2024

/s/ Wendy DiCicco
Wendy DiCicco
Interim Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Akari Therapeutics, Plc (the “Company”) on Form 10-Q for the quarter ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned officer of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to such officer’s knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 19, 2024

/s/ Samir R. Patel, M.D.
Samir R. Patel, M.D.
Interim President and Chief Executive Officer, and Director
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Akari Therapeutics, Plc (the “Company”) on Form 10-Q for the quarter ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned officer of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to such officer’s knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 19, 2024

/s/ Wendy DiCicco
Wendy DiCicco
Interim Chief Financial Officer
(Principal Financial Officer)