



## Interim Results

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N4 Pharma PLC  
17 September 2020

### N4 Pharma Plc

#### ("N4 Pharma" or the "Company")

N4 Pharma Plc (AIM: N4P), the specialist pharmaceutical company developing Nuvec®, a novel delivery system for vaccines and cancer treatments, announces its unaudited interim results for the six months ended 30 June 2020.

#### Highlights:

- Refined strategy to focus on three, clearly defined, work streams:
  - the optimisation of production and loading of Nuvec® as a delivery technology platform for nucleic acid vaccines;
  - the Covid-19 proof of concept research programme; and
  - feasibility studies into Nuvec® for use in oral vaccines and other applications.
- Successful transfection *in vitro* of HEK 293T cells with Nuvec® loaded with the Coronavirus DNA Plasmid
- Move to full *in vivo* study with the Coronavirus and other DNA plasmids with measurement of production of antibodies
- Research Collaboration Agreement with Nanomerics Limited out of UCL's School of Pharmacy
- Appointment of Ardena as technology transfer and manufacturing partner
- Operating loss for the period was £585,066 (30 June 2019: £552,160)
- Placing of 50,731,250 new Ordinary Shares to raise c.£2 million
- Issue of a further 3,886,562 new Ordinary Shares following warrant and option exercises raising £139,262.48
- Cash balance at period end of approximately £2.44 million

#### Nigel Theobald, Chief Executive Officer of N4 Pharma Plc, commented:

"The arrival of the Covid-19 pandemic during the period has thrown up considerable challenges globally but also opportunities. Whilst continuing with our optimisation work of Nuvec® as a delivery platform technology, the immediate need to address the threat of Covid-19 encouraged us to look at more specific, product driven, applications resulting in our proof of concept work with Nuvec® loaded with the Coronavirus DNA Plasmid. Our subsequent *in vitro* success was extremely pleasing but to maximise our chances of success in any full *in vivo* study we now need to incorporate the findings of our optimisation work. This is key as we look to further our work with the Coronavirus plasmid in parallel to working with more generic DNA plasmids which may be more applicable in collaborations on multiple other vaccines. To that end, we are excited to be moving towards our most comprehensive *in vivo* study to date and are in the process of scoping the different aspects of the study.

"At the same time, we aim to maximise the potential uses of Nuvec® as we continue to look at other applications including assessing its ability for use in the delivery of vaccines orally. We remain fully funded for the current work programmes and I look forward to providing further updates in due course."

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014.

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Luke Cairns, Executive Director

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### About N4 Pharma

N4 Pharma is a specialist pharmaceutical company developing a novel delivery system for vaccines and cancer treatments using its unique silica nanoparticle delivery system called Nuvec®.

N4 Pharma's business model is to partner with companies developing novel antigens for vaccines and cancer treatments to use Nuvec® as the delivery vehicle to get their antigen into cells to express the protein needed for the required immunity. As these products progress through preclinical and clinical programs, N4 Pharma will seek to receive upfront payments, milestone payments and ultimately royalty payments once products reach the market.

## Chairman's Statement

### Half year results

During the six months to 30 June 2020, the Company raised an additional £1.9m, net of expenses, through the issue of 50,731,250 new ordinary shares.

The operating loss for the period was £585,066 (30 June 2019: £552,160).

Cash balance at 30 June 2020 was £2,443,518 (30 June 2019: £1,167,547).

### Nuvec® development work

The first part of 2020 saw the Company focus on the optimisation of Nuvec® starting with the improved manufacture and dispersion of the particle. In parallel, we entered into a research collaboration agreement with Nanomerics Limited ("Nanomerics") to focus on the stability of a number of different formulations of Nuvec® using both a well characterised plasmid DNA and a novel small interfering RNA (siRNA). Whilst these work streams remained ongoing, the advent of the Covid-19 pandemic presented significant local and global challenges but also created an opportunity as to how Nuvec® may be applied as a potential delivery technology to any of the multiple Covid-19 vaccines currently in development across the world.

Whilst we did not initially envisage a material disruption to our studies, the scale of lockdown created minor but inevitable delays to our optimisation work and the work with Nanomerics. As working practices have evolved against the backdrop of the pandemic these work streams are now very much on track and continue to expand our data set for Nuvec®. With such attention on Covid-19 and potential vaccines, we took the decision to undertake a proof of concept study prior to a full *in vivo* study to assess the efficacy of Nuvec® loaded with the Coronavirus plasmid DNA. This work was undertaken by an experienced contract research organisation, Evotec, and began in the period under review and has recently concluded resulting in the decision to move to a full *in vivo* study as set out further below.

In the period, we have also undertaken an appraisal of Nuvec® in the use of manufacturing viral vectors and how they might be used in *ex vivo* gene therapy. Whilst there is a viable market to be potentially addressed in the future the Board has concluded that the return on investment at this stage would not be suitably attractive. As a result, the Board has concluded that the best use of its resources would be better served focusing on its strategy for the next six to twelve months being:

- Completion of the optimisation work including the establishment of optimal dispersion, loading ratios and the tech transfer for consistent manufacture;
- The scoping and implementation of our most comprehensive *in vivo* study to date; and
- Feasibility studies on other applications for Nuvec® such as for oral vaccines and in oncology.

The strengthening of our balance sheet through the funds raised in May of this year means that we are well funded to complete all our currently planned work streams.

### Going Forward

Over the last few months we have sought to refine our work streams in such a way that they align towards a definitive study which comprises the multiple learnings from the studies to date. These continue to be refined through the optimisation work which is expected to be concluded with our CRO partners over the coming months to then feed into our *in vivo* work. In parallel, we have begun our tech transfer work with Ardena to enable consistent manufacture of Nuvec® with the potential to GMP standards as and when required in the future.

Through our Covid-19 proof of concept work we have seen Nuvec® loaded with the Coronavirus plasmid DNA transfect human HEK cells *in vitro*. Following the recently announced results for the pilot *in vivo* work, we have decided to proceed to a full *in vivo* study to demonstrate the capability of Nuvec® loaded with the Coronavirus plasmid DNA to generate Covid-19 antibodies. This *in vivo* study will be our most comprehensive yet. Whilst we are still finalising the scope of the study, we will be looking to compare, amongst other variables, reactions of Nuvec® loaded with different DNA plasmids (including Coronavirus), as well as optimised Nuvec® and unoptimised Nuvec®.

Whilst our core work on Nuvec® continues positively as detailed above, the Board is mindful that it needs to expand its risk profile and there remains great potential in exploring other applications for Nuvec®. As announced in July, we feel Nuvec® could offer significant advantages in addressing issues in the oral delivery of vaccines and we are in the process of conducting preliminary feasibility studies as to its viability as a tool for oral vaccines. Likewise, in the area of oncology we are exploring the viability of Nuvec® as a tool in this substantial market.

### Intellectual Property

In parallel to the work outlined above, the Company continues to see progress on its licensed patent application from The University of Queensland ("UQ") and its own patent application. The UQ patent application has had responses from all the key patent examiners and dialogue is ongoing to clarify the list of claims being discussed. Our own patent application for improvements to how Nuvec® is made has now entered the national phases for Europe, USA, China, Japan, India and Australia.

### Board changes

Post the period end, Luke Cairns, previously a Non-Executive Director, became an Executive Director, overseeing the Company's finance, corporate and investor relations activities allowing Nigel Theobald, Chief Executive Officer, more time to focus on driving the Company's development programmes and potential commercial collaborations.

## Outlook

Fundamentally, our strategy remains the same and therefore the prospects and value potential for Nuvec® remain as previously stated. With every study result, we learn more about Nuvec® and so can better define the next study. This we are doing as we plan our next *in vivo* study taking what we are learning in the optimisation process, previous *in vivo* studies and the recent Covid-19 proof of concept work.

The combination of work with Nuvec® to address solutions for multiple injectable vaccines supplemented by our preliminary work on oral and oncology applications means we are looking to balance the inherent risk of development with the considerable reward of any one of these applications advancing to commercial collaborations.

The Board also remains open to adding other assets to its portfolio in the event any such opportunities arise.

On behalf of the Board, I would like to thank all of our shareholders for their continued support and look forward to providing further updates on our progress.

By order of the Board  
John Chiplin  
Chairman  
N4 Pharma Plc

## N4 Pharma Plc and its controlled entities Condensed Consolidated Interim Statement of Comprehensive Income (unaudited) for the six months ended 30 June 2020

	Six months to 30 June 2020 (Unaudited) £	Six months to 30 June 2019 (Unaudited) £	Twelve months to 31 December 2019 (Audited) £
<b>Expenses</b>			
Research and development costs	(213,869)	(117,694)	(216,948)
General and administration costs	(371,197)	(432,879)	(730,392)
<b>Operating loss for the period</b>	<b>(585,066)</b>	<b>(550,573)</b>	<b>(947,340)</b>
Finance income/(expenditure)	21	(1,587)	(1,385)
<b>Loss for the period before tax</b>	<b>(585,045)</b>	<b>(552,160)</b>	<b>(948,725)</b>
Taxation	46,657	-	72,352
<b>Loss for the period after tax</b>	<b>(538,388)</b>	<b>(552,160)</b>	<b>(876,373)</b>
Other comprehensive income net of tax	-	-	-
<b>Total comprehensive loss for the period attributable to equity owners of N4 Pharma Plc</b>	<b>(538,388)</b>	<b>(552,160)</b>	<b>(876,373)</b>
<b>Loss per share attributable to owners of the parent</b>			
Weighted average number of shares:			
Basic	113,169,749	98,852,040	100,168,016
Diluted	114,298,028	104,379,981	100,168,016
Basic loss per share	<b>(0.48p)</b>	<b>(0.56p)</b>	<b>(0.87p)</b>
Diluted loss per share	<b>(0.47p)</b>	<b>(0.53p)</b>	<b>(0.87p)</b>

All activities derive from continuing operations.  
The notes below form an integral part of these financial statements.

**Condensed Consolidated Interim Statement of Financial Position (unaudited) for the six months ended 30 June 2020**

Notes	30 June 2020 (Unaudited) £	30 June 2019 (Unaudited) £	31 December 2019 (Audited) £
<b>Assets</b>			
<b>Current assets</b>			
Trade and other receivables	60,059	265,481	99,269
Cash and cash equivalents	2,443,518	1,167,547	965,752
	2,503,577	1,433,028	1,065,021
<b>Total Assets</b>	<b>2,503,577</b>	<b>1,433,028</b>	<b>1,065,021</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	(127,837)	(81,863)	(51,547)
Accruals and deferred income	(20,833)	(22,200)	(26,136)
<b>Total assets less current liabilities</b>	<b>2,354,907</b>	<b>1,328,965</b>	<b>987,338</b>
<b>Net Assets</b>	<b>2,354,907</b>	<b>1,328,965</b>	<b>987,338</b>
<b>Equity</b>			
Share capital	4 10,705,925	8,676,675	8,676,675
Share premium	5 10,181,317	10,328,797	10,327,258
Share option reserve	6a 6b 47,914	41,141	25,266
Reverse acquisition reserve	5 (14,138,244)	(14,138,244)	(14,138,244)
Merger relief reserve	5 279,347	279,347	279,347
Retained earnings	(4,721,352)	(3,858,751)	(4,182,964)
<b>Total Equity</b>	<b>2,354,907</b>	<b>1,328,965</b>	<b>987,338</b>

**N4 Pharma Plc and its controlled entities**

**Condensed Consolidated Interim Statement of Changes in Equity (unaudited) for the six months ended 30 June 2020**

**(i) Six months ended 30 June 2020 - Unaudited**

	Share Capital £	Share Premium £	Share Option Reserve £	Reverse Acquisition Reserve £	Merger Relief Reserve £	Retained Earnings £	Total Equity £
<b>Balance at 1 January 2020</b>	8,676,675	10,327,258	25,266	(14,138,244)	279,347	(4,182,964)	987,338
Total comprehensive loss for the period	-	-	-	-	-	(538,388)	(538,388)
Share issue	2,029,250	(121,755)	-	-	-	-	1,907,495
Share option reserve	-	(24,186)	22,648	-	-	-	(1,538)
<b>At 30 June 2020</b>	<b>10,705,925</b>	<b>10,181,317</b>	<b>47,914</b>	<b>(14,138,244)</b>	<b>279,347</b>	<b>(4,721,352)</b>	<b>2,354,907</b>

**(ii) Six months ended 30 June 2019 - Unaudited**

	Share Capital £	Share Premium £	Share Option Reserve £	Reverse Acquisition Reserve £	Merger Relief Reserve £	Retained Earnings £	Total Equity £
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<b>Balance at 1 January 2019</b>	<b>8,634,675</b>	<b>9,328,848</b>	<b>81,909</b>	<b>(14,138,244)</b>	<b>279,347</b>	<b>(3,306,591)</b>	<b>879,944</b>
Total comprehensive loss for the period	-	-	-	-	-	(552,160)	(552,160)
Share issue	42,000	958,000	-	-	-	-	1,000,000
Share option reserve	-	41,949	(40,768)	-	-	-	1,181
<b>At 30 June 2019</b>	<b>8,676,675</b>	<b>10,328,797</b>	<b>41,141</b>	<b>(14,138,244)</b>	<b>279,347</b>	<b>(3,858,751)</b>	<b>1,328,965</b>

**N4 Pharma Plc and its controlled entities**  
**Condensed Consolidated Interim Statement of Changes in Equity (unaudited) for the six months ended 30 June 2020 (Continued)**

(iii) Twelve months ended 31 December 2019 - Audited

	Share Capital	Share Premium	Share Option Reserve	Reverse Acquisition Reserve	Merger Relief Reserve	Retained Earnings	Total Equity
	£	£	£	£	£	£	£
<b>Balance at 1 January 2019</b>	<b>8,634,675</b>	<b>9,328,848</b>	<b>81,909</b>	<b>(14,138,244)</b>	<b>279,347</b>	<b>(3,306,591)</b>	<b>879,944</b>
Total comprehensive loss for the year	-	-	-	-	-	(876,373)	(876,373)
Share issue	42,000	998,410	-	-	-	-	1,040,410
Share option reserve	-	-	(56,643)	-	-	-	(56,643)
<b>At 31 December 2019</b>	<b>8,676,675</b>	<b>10,327,258</b>	<b>25,266</b>	<b>(14,138,244)</b>	<b>279,347</b>	<b>(4,182,964)</b>	<b>987,338</b>

The notes below form an integral part of these financial statements.

**N4 Pharma Plc and its controlled entities**  
**Condensed Consolidated Interim Statement of Cash Flows (unaudited) for the six months ended 30 June 2020**

	Six months to 30 June 2020 (Unaudited) £	Six months to 30 June 2019 (Unaudited) £	Twelve months to 31 December 2019 (Audited) £
<b>Operating activities</b>			
<b>Loss before tax</b>	(585,045)	(552,160)	(948,725)
Finance (income)/expenditure	(21)	1,587	1,385
Share based payments to employees	(1,538)	1,181	3,767
<b>Operating loss before changes in working capital</b>	<b>(586,604)</b>	<b>(549,392)</b>	<b>(943,573)</b>
Movements in working capital:			
Decrease in trade and other receivables	39,210	11,445	29,441
Increase/(decrease) in trade and other payables			(112,440)
payables	70,987	(86,060)	
Taxation	46,657	-	220,568
<b>Cash used in operations</b>	<b>(429,750)</b>	<b>(624,007)</b>	<b>(806,004)</b>
<b>Net cash flows used in operating activities</b>	<b>(429,750)</b>	<b>(624,007)</b>	<b>(806,004)</b>

<b>Financing activities</b>			
Finance income/(expenditure)	21	(1,587)	(1,385)
Net proceeds of ordinary share issue	1,907,495	1,000,000	980,000
<b>Net cash flows from financing activities</b>	<b>1,907,516</b>	<b>998,413</b>	<b>978,615</b>
<b>Net increase in cash and cash equivalents</b>			
<b>equivalents</b>	<b>1,477,766</b>	<b>374,406</b>	<b>172,611</b>
Cash and cash equivalents at beginning of the period	965,752	793,141	793,141
<b>Cash and cash equivalents at 30 June / 31 December</b>	<b>2,443,518</b>	<b>1,167,547</b>	<b>965,752</b>

The notes below form an integral part of these financial statements.

## N4 Pharma Plc and its controlled entities

### Notes to the condensed interim financial statements for the six months ended 30 June 2020

#### 1. Corporate information

N4 Pharma Plc (the "Company") is the holding company for N4 Pharma UK Limited ("N4 UK"), and N4 Biotech Limited ("N4 Biotech"), and together form the group (the "Group"). N4 Biotech was dissolved on 14 January 2020. N4 UK is a specialist pharmaceutical company engaged in the development of mesoparticulate silica delivery systems to improve the cellular delivery and potency of vaccines. The nature of the business is not deemed to be impacted by seasonal fluctuations and as such performance is expected to be consistent.

The Company is domiciled in England and Wales and was incorporated and registered in England and Wales on 6 July 1979 as a public limited company and its shares are admitted to trading on AIM (LSE: N4P). The Company's registered office is located at 6th Floor, 60 Gracechurch Street, London, EC3V 0HR.

#### 2. Accounting policies

##### Adoption of new and revised International Financial Reporting Standards

The following IFRS standards, amendments or interpretations became effective in the six months to 30 June 2020 but have not had a material effect on this condensed consolidated interim financial information:

Title	As Issued by the IASB, mandatory for accounting periods starting
Amendments to IFRS3: Business Combinations	Accounting periods beginning on or after 1 January 2020
Amendments to IAS1 and IAS8: Definition of Material	Accounting periods beginning on or after 1 January 2020
Interest Rate Benchmark Reform: amendments to IFRS9, IAS39 and IFRS7	Accounting periods beginning on or after 1 January 2020
Amendments to Reference to the Conceptual Framework in IFRS Standards	Accounting periods beginning on or after 1 January 2020

##### Basis of Preparation:

The Group's condensed consolidated interim financial statements, which are unaudited, have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting".

The annual financial statements for the year ended 31 December 2019 were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The condensed consolidated interim financial information for the six months ended 30 June 2020 are unaudited. In the opinion of the Directors, the condensed consolidated interim financial information presents fairly the financial position, and results from operations and cash flows for the period.

The financial statements are presented in sterling, which is the Group's functional currency as the UK is the primary environment in which it operates.

## N4 Pharma Plc and its controlled entities

### Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2020

#### 2. Accounting policies (continued)

##### **Basis of consolidation:**

These condensed consolidated interim financial statements have been prepared in accordance with IFRS 2 for the comparative six month period ended 30 June 2019 and the comparative 12 month period to 31 December 2019 and the current six period ended 30 June 2020. These condensed consolidated interim financial statements have been prepared in accordance with IFRS 2 as a result of the consolidation of the Company and N4 UK, constituting a reverse takeover transaction.

##### **Significant Accounting Policies:**

The condensed consolidated interim financial statements have been prepared under the historical cost convention, as modified for the fair value of options and warrants, in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union.

While the financial information has been prepared in accordance with IFRS, as adopted by the European Union, the condensed consolidated interim financial statements do not contain sufficient information to comply with IFRSs.

##### Financial assets at fair value through profit or loss:

Financial assets designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Group's documented investment strategy.

The Group's policy requires the Board of Directors to evaluate the information about these financial assets on a fair value basis together with other related financial information.

##### Segmental reporting:

The Group operated in one business segment, that of the development and commercialisation of medicines via its delivery system called Nuvec®. No revenue has yet been generated by any of the work undertaken by the Group.

The Directors consider that there are no identifiable business segments that are subject to risks and returns different to the core business. The information reported to the Directors, for the purposes of resource allocation and assessment of performance, is based wholly on the overall activities of the Group.

##### Cash and cash equivalents:

The Directors consider any cash on short term deposit and other short-term investments to be cash equivalents.

##### Tax

The Group has accumulated losses available to carry forward against future trading profits. No deferred tax asset has been recognised in respect of tax losses since it is uncertain at the statement of financial position date as to whether future profits will be available against which the unused tax losses can be utilised.

##### Share-based payment arrangements

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

## N4 Pharma Plc and its controlled entities

### Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2020

#### 2. Accounting policies (continued)

##### **Significant Accounting Policies (continued):**

##### Share-based payment arrangements (continued)

Share-based transactions, other than those with employees, are measured at the value of goods or services received where this can be reliably measured. Where the services received are not identifiable, their fair value is determined by reference to the grant date fair value of the equity instruments provided. Should it not be possible to measure reliably the fair value of identifiable goods and services received, their fair value shall be determined by reference to the fair value of the equity instruments provided measured over the period of time that the goods and services are received.

The expense is recognised in the condensed consolidated interim statement of comprehensive income or capitalised as part of an asset when the goods are received or as services are provided, with a corresponding increase in equity.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no "true-up" for differences between expected and actual outcomes.

Share-based payment transactions in which the Group receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Group's equity instruments are accounted for as cash-settled share-based payments. The fair value of the amount payable

to recipients is recognised as an expense, with a corresponding increase in liabilities, over the period in which the recipients become unconditionally entitled to payment. The liability is re-measured at each condensed consolidated interim statement of financial position date and at settlement date. Any changes in the fair value of the liability are recognised in the condensed consolidated interim statement of comprehensive income.

### 3. Critical accounting judgements and estimates

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make certain estimates, assumptions and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities and the reported amounts of income and expenses during the reporting period.

In the process of applying the Group's accounting policies, management have decided that there are no estimates and assumptions significant to causing potentially material adjustments to the carrying amounts of assets and liabilities recognised in the condensed consolidated interim financial statements.

## N4 Pharma Plc and its controlled entities

### Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2020

#### 4. Share capital

	30 June 2020 (Unaudited)	30 June 2019 (Unaudited)	31 Dec 2019 (Audited)
<i>Allotted, called up and fully paid</i>			
	£	£	£
152,193,787 Ordinary Shares of 0.4p each (30 June 2019 and 31 December 2019: 101,462,537 Ordinary shares of 0.4p each)	2,435,100	405,850	405,850
137,674,431 Deferred Shares of 4p each (30 June 2019 and 31 December 2019: 137,674,431 Deferred shares of 4p each)	5,506,977	5,506,977	5,506,977
279,176,540 Deferred Shares of 0.099p each (30 June 2019 and 31 December 2019: 279,176,540 Deferred shares of 0.099p each)	2,763,848	2,763,848	2,763,848
	<b>10,705,925</b>	<b>8,676,675</b>	<b>8,676,675</b>

The transactions that took place during the period were as follows:

- 50,731,250 new ordinary shares of 0.4p each were issued.

All ordinary shares rank equally in all respects, including for dividends, shareholder attendance and voting rights at meetings, on a return of capital and in a winding-up.

The 137,674,431 deferred shares of 4p, have no right to dividends nor do the holders thereof have the right to receive notice of or to attend or vote at any general meeting of the Company. On a return of capital or on a winding up of the Company, the holders of the deferred shares shall only be entitled to receive the amount paid up on such shares after the holders of the ordinary shares have received the sum of £1,000,000 for each ordinary share held by them.

#### 5. Reserves

The share premium account represents the amount received on the issue of ordinary shares by the Company in excess of their nominal value and issue costs and is non-distributable.

The merger relief reserve arose on the Company's acquisition of N4 UK and consists of both the consideration shares and deferred consideration amounting to £279,347. There is no legal share premium on the shares issued as consideration as section 612 of the Companies Act 2006, which deals with merger relief, applies in respect of the acquisition.

The reverse acquisition reserve arises due to the elimination of the Company's investment in N4 UK. Since the shareholder in N4 UK became a shareholder of the Company, the acquisition is accounted for as though the legal acquiree (N4 UK) is the accounting acquirer.

#### 6. Share-based payments and share option reserve

##### a) Options

The Company has the ability to issue options to Directors to compensate them for services rendered and incentivise them to add value to the Group's longer-term share value. Equity settled share-based payments are measured at fair value at the date of grant.

## N4 Pharma Plc and its controlled entities

### Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2020

#### 6. Share-based payments and Share Option Reserve (continued)

##### a) Options (continued)

The fair value determined is unwound on a straight-line basis over the vesting period based on the Group's estimate of the number of shares that will vest and recognised as share premium. The value of the change is adjusted to reflect the expected and actual levels of vesting.



Cancellations of equity instruments are treated as an acceleration of the vesting period and any outstanding charge is recognised in full immediately.

Fair value is measured using a Black Scholes pricing model. The key assumptions used in the model have been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioral considerations. The inputs into model were as follows:

	2017 Options	2018 Options	2019 Options	2020 Options
Share price	6.375p	6.6p	3.55p	4.8p
Exercise price	7p	6.6p	3.55p	4.8p
Expected volatility	27.2%	45.2%	37.4%	29.9%
Expected option life	3 years	6.5 years	6.5 years	3 years
Risk free rate	4.75%	5.00%	5.00%	4.75%

Following the RTO and subsequent re-admission to AIM on 3 May 2017 ("Admission"), the following options over new ordinary shares were granted under the Company's share option scheme and are exercisable at a price of 7p per share.

Luke Cairns 717,143 options  
David Templeton 717,143 options  
Paul Titley 1,434,286 options

In the case share options granted to Paul Titley, of the total of 1,434,286 that were granted, the exercise of options over 717,143 ordinary shares were subject to certain performance conditions. These share options lapsed 2019 due to his departure from the Company and those targets not being met. This leaves Paul Titley with 717,143 options.

On 26 September 2018 the following options over ordinary shares were granted under the Company's share option scheme and are exercisable at a price of 6.60p per share:

Andrew Leishman 286,857 options  
Allan Hey 717,143 options

The share options granted to Andrew Leishman lapsed on 1 January 2019 due to his departure from the Company.

The share options granted to Alan Hey lapsed on 28 February 2020 due to his departure from the Company.

## N4 Pharma Plc and its controlled entities

### Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2020

#### 6. Share-based payments and Share Option Reserve (continued)

##### a) Options (continued)

As at 30 June 2020, there were 8,396,513 (30 June 2019: 7,679,370, 31 December 2019: 7,679,370) options in existence over ordinary shares of the Company.

Name	Date of Grant	Ordinary Shares Under Option	Expiry Date	Exercise Price
<b>2015 Options</b>				
Gavin Burnell	14.10.15	2,701,210	14.10.15	0.028
Luke Cairns	14.10.15	675,302	14.10.15	0.028
<b>2015 Options</b>				
Luke Cairns	03.05.17	717,143	03.05.17	0.07
David Templeton	03.05.17	717,143	03.05.17	0.07
Paul Titley	03.05.17	717,143	03.05.17	0.07
<b>2019 Options</b>				
John Chiplin	21.05.19	717,143	21.05.19	0.0355
Christopher Britten	21.05.19	717,143	21.05.19	0.0355
<b>2020 Options</b>				
David Templeton	18.05.20	717,143	18.05.20	0.048
Luke Cairns	18.05.20	717,143	18.05.20	0.048
		8,396,513		

The aggregate fair value of the share options issued is as follows:

30 June 2020                      30 June 2019                      31 December 2020

	(unaudited) £	(unaudited) £	(unaudited) £
2015 Options	16,296	19,385	17,831
2017 Options	-	7,550	3,037
2018 Options	-	21,887	2,998
2019 Options	2,538	22,793	1,399
2020 Options	321	-	-
	19,155	71,615	25,265

#### b) Warrants

As at 30 June 2020, the total number of warrants in issue were 2,536,562 (30 June 2019: nil, 31 December 2019: nil).

The warrants are exercisable at 4p and entitled holders to subscribe for new ordinary shares at any time in the period of two years following the grant of the warrants. The expiry date of the placing warrants is 20 May 2022.

## N4 Pharma Plc and its controlled entities

### Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2020

#### 6. Share-based payments and Share Option Reserve (continued)

##### b) Warrants (continued)

During the period, an amount of £28,759, representing the fair value of the warrants has been recognised against the share option reserve and share premium. The fair value of the warrants in issue and not yet exercised was determined using the Black Scholes model. The fair value of the warrants at 30 June 2020 was £28,759 (30 June 2019: £nil, 31 December 2019: £nil).

#### 8. Earnings per share

Basic earnings per share is calculated by dividing the loss after tax attributable (excluding the deemed cost of acquisition) to the equity holders of the Company by the weighted average number of shares in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potential dilutive shares, namely share options and warrants.

#### 9. Related Party Transactions

During the period to 30 June 2020, the non-executive directors' fees amounted to £36,993 (6 months to 30 June 2019: £27,894, 12 months to 31 December 2019: £53,590).

During the period to 30 June 2020, the Company charged N4 UK £18,000 in respect of 50 per cent. of the fees paid to non-executive directors for the services rendered to N4 UK (6 months to 30 June 2019: £12,000, 12 months to 31 December 2019: £24,000)

#### 10. Subsequent events

On 15 July 2020 the Company appointed SP Angel Corporate Finance LLP as the Company's Nominated Adviser and Joint Broker. On the same date the company appointed Luke Cairns to an executive director position, previously Luke was a non-executive director.

On 14 August 2020 the Company received a notification to exercise warrants representing ordinary shares of 0.4 pence each for a total consideration of £4,500. The 112,500 new Ordinary Shares issued following the exercise of warrants admitted to trading on AIM on 20 August 2020.

On 26 August 2020 the Company received a notification to exercise warrants representing 2,424,062 ordinary shares of 0.4 pence each for a total consideration of £96,962. The 2,424,062 new Ordinary Shares issued following the exercise of warrants admitted to trading on AIM on 2 September 2020.

On 8 September 2020 the Company received a notification to exercise options representing 1,350,000 ordinary shares of 0.4 pence each for a total consideration of £37,800. The 1,350,000 new Ordinary Shares issued following the exercise of options admitted to trading on AIM on 14 September 2020.

Following the issue of new ordinary shares pursuant to the warrant and option exercises detailed above, as at today's date, the Company's total issued share capital consists of 156,080,349 Ordinary Shares.

Aside from the above disclosures there are no other significant subsequent events that require adjustment or disclosure in these condensed consolidated interim financial statements.

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