



12 October 2020

Motif Bio plc
("Motif Bio," or the "Company")

Half-year Report

Motif Bio plc (AIM: MTFB), an AIM Rule 15 cash shell, announces its unaudited financial results for the half year ended 30 June 2020 and reports on its strategic progress for the year to date.

The re-organisation of the Company, as approved in the November 2019 shareholder vote, has allowed Motif Bio to be unencumbered of obligations related to its former operating subsidiary, Motif Biosciences Inc (the "Subsidiary"). This has given the Board the flexibility to pursue a strategy of seeking an appropriate Reverse Takeover ("RTO") candidate for the Company. The Board is maintaining its focus on sourcing and completing an appropriate RTO candidate in an effort to deliver value to shareholders. More than 30 opportunities have been carefully reviewed by the Board and discussions have progressed to the term sheet stage with several companies. The search is continuing for an appropriate RTO candidate with the goal of completing a transaction before 28 January 2021, when the Company's shares would be de-listed absent an RTO or other qualifying transaction.

The Company no longer has control of Motif BioSciences Inc. but does retain a contractual interest in any upside in consideration, above what is owed to Hercules Capital Inc. ("Hercules"), at the time of monetisation, should the iclaprim asset be monetised by Hercules. To date, the Subsidiary and Hercules have been unsuccessful in monetising the iclaprim asset, and it is not clear when or if they will be able to do so. If there is a monetisation of the iclaprim asset, it is also unclear if there would be any residual available to the Company's shareholders above what Hercules will be owed at that time.

The Company appreciates the support and patience of its shareholders through the restructuring and current period and will continue its efforts to deliver value to shareholders, ideally by completing an RTO as opposed to de-listing from the AIM Market of the London Stock Exchange ("AIM"). Though the Board has been and continues to actively seek RTO opportunities, there can be no guarantee that the Company will be successful in sourcing an appropriate RTO candidate or completing an RTO transaction in the time remaining before its shares are de-listed trading on AIM in late January 2021.

The Board looks forward to providing additional updates to shareholders as and when it is appropriate.

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) 596/2014.

For further information, please contact:

Motif Bio plc

Jonathan Gold (President and Chief Business Officer)

ir@motifbio.com

SP Angel Corporate Finance LLP (NOMAD & BROKER)

David Hignell/Caroline Rowe (Corporate Finance)
Vadim Alexandre/Abigail Wayne (Sales & Broking)

+44 (0) 20 3470 0470

Walbrook PR Ltd. (UK FINANCIAL PR & IR)

Paul McManus/ Lianne Cawthorne

+44 (0) 20 7933 8780
motifbio@walbrookpr.com

Forward-Looking Statements

When used in this Press Release, the words or phrases "intends," "anticipates," "expected to be" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to certain risks and uncertainties including, but not limited to, changes in economic conditions in the Company's market area, changes in policies by regulatory agencies, fluctuations in interest rates, competition that could cause actual results to differ materially from historical earnings and those presently anticipated or projected, and other risks described in the Company's filings with the Securities and Exchange Commission. The Company cautions readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. The Company advises readers that the factors listed above could affect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements. The Company does not undertake, and specifically disclaims any obligation to publicly release the result of any revision that may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

Interim Strategic Report

Overview

Pursuant to the successful completion of the 2019 corporate restructuring, as announced on 28 January 2020 and further described in the Company's 2019 Annual Report and Accounts issued on 9 September 2020, the Company was reclassified as an AIM Rule 15 cash shell.

On 29 July 2020, the London Stock Exchange suspended trading in the Company's AIM securities pursuant to AIM Rule 40. The AIM Rules provide that the Company has an additional six months from the suspension date to complete a qualifying transaction. The Company is currently required to make an acquisition, or acquisitions, which constitutes a reverse takeover under AIM Rule 14 by 28 January 2021 to continue to be listed on AIM.

The restructuring and discontinuance of operation of the Subsidiary, has created the opportunity for the Company to pursue an RTO transaction in an effort to deliver additional value to shareholders. The Board continues to advance discussions with RTO candidates; however, there are no assurances that the Company will be able to complete an RTO or other qualifying transaction before the end of January 2021.

Financial Overview

The Subsidiary, Motif BioSciences Inc., was previously reported as discontinued operations in the consolidated statements of comprehensive loss and the related assets and liabilities were presented as held-for-sale in the consolidated balance sheet as of 31 December 2019.

In the first quarter of 2020, the Company determined that it no longer had control over Motif BioSciences Inc. and, in accordance with IFRS 10, determined that it will no longer consolidate the financial results of the entity for financial reporting periods commencing in 2020.

Results of Operations:

Comparison of the six months ended 30 June 2020 and 30 June 2019

General and Administrative Expenses

General and administrative expenses decreased by US \$0.16 million to US \$0.65 million in the six months ended 30 June 2020 from US \$0.81 million in the six months ended 30 June 2019. This decrease was primarily attributable to a US \$0.04 million reduction in Board and employee related expenses and US \$0.12 million reduction in legal, investor relations and other services.

Gain (Loss) from Revaluation of Derivative Liabilities

In November 2016, the Company issued warrants that are classified as a liability due to potential variability in the number of shares that may be issued upon exercise if we fail to maintain an effective registration statement. The Company issued additional warrants in 2017 and 2020 that are also classified as a derivative liability. These derivative liabilities are carried at fair value and are remeasured each reporting period using the Black-Scholes option pricing model. Our stock price has a significant impact on the value of the liability and, in general, a decrease in our stock price will decrease our derivative liability balance and decrease the loss from revaluation of our derivative liabilities, or cause us to recognise a gain from revaluation of our derivative liabilities. A loss of US\$0.3 million was recorded for the six months ended 30 June 2020, compared to a gain of US \$5.6 million for the six months ended 30 June 2019.

Net Foreign Exchange Gain (Loss)

The net foreign exchange loss for the six months ended 30 June 2020 was US \$0.03 million, compared to a gain of US \$0.02 million in the six months ended 30 June 2019. In both periods the gain and loss recognised relates to the re-measurement of the Company's liability classified ordinary share warrants (Note 5), Sterling denominated cash deposits to US dollars at the closing US dollar to Sterling exchange rate as well as the gains and losses resulting from the settlement of transactions denominated in foreign currency.

Liquidity and Capital Resources

The Company had US \$0.8 million at 30 June 2020 and US \$0.6 million in cash at 30 September 2020. The Company may require additional capital in the future and to the extent that the Company raises additional funds by issuing equity, its existing stockholders may experience significant dilution.

The Company's Directors are focused on sourcing an appropriate reverse takeover candidate for the Company. There is no assurance that the effort will be successful to source and/or complete a reverse takeover transaction. In addition, as of the date these financial statements were approved, the Company can provide no assurance that additional capital will be available if/when required and/or on acceptable terms.

Cash Flows

(in thousands)	Six months ended	
	30 June 2020	30 June 2019
	US\$	US\$
Net cash (used in) / provided by:		
Operating activities	(676)	(830)
Investing activities	—	2,471
Financing activities	827	3,541
Effect of exchange rate changes on cash and cash equivalents	(17)	(57)
	<u>151</u>	<u>240</u>

Operating Activities

Net cash used in operating activities in the six months ended 30 June 2020 and 2019, primarily reflects the Company's operating loss for the periods.

Investing Activities

Net cash used in investing activities of US \$2.5 million in the six months ended 30 June 2019 represents the Company's net capital contribution to its then operating subsidiary Motif BioSciences Inc. In 2020, Motif BioSciences Inc. is no longer treated as a consolidated subsidiary (Note 1). No investments in Motif BioSciences Inc. were, or will be, incurred in 2020.

Financing Activities

Net cash provided by financing activities amounts to US \$0.83 million for the six months ended 30 June 2020. This includes net proceeds of US \$0.77 million from the 5 May 2020 placement of 162,500,000 new ordinary shares at 0.004 pence per share and US \$0.06 million of proceeds from a warrant exercise. Net cash provided by financing activities amounts to US \$3.5 million for the six month ended June 30, 2019. This includes net proceeds of US \$3.3 million from 25 March 2019 placement of 45,000,000 new ordinary shares at £0.06 per share and US \$0.2 million of proceeds from warrant exercises.

Financial Statements:

Motif Bio plc
Unaudited interim condensed statements of comprehensive loss
For the six months 30 June 2020 and 2019
(in thousands, except share and per share data)

	Note	Six months ending 30 June	
		2020 US \$	2019 US \$ Restated
Operations			
General and administrative expenses.....	2	(650)	(812)
Research and development expenses		—	—
Operating loss		(650)	(812)
Interest income		—	2
Net foreign exchange gains (losses).....		(32)	20
Gain (loss) from revaluation of derivative liabilities	5	(305)	5,597
Gain (loss) before income taxes.....		(987)	4,807
Income tax expense	3	—	—
Net gain (loss) from operations		(987)	4,807
Total comprehensive gain (loss) for the year		(987)	4,807
Net earnings (loss) per share - diluted			
Basic	4	(0.002)	0.015
Diluted.....		(0.002)	0.015
Weighted average number of ordinary shares			
Basic		539,017,710	321,751,131
Diluted.....		539,017,710	321,751,131

The accompanying footnotes are an integral part of these condensed interim financial statements.

Motif Bio plc
Unaudited interim condensed statements of financial position
At 30 June 2020 and 31 December 2019
(in thousands)

	<u>Note</u>	<u>30 June 2020</u> <u>US \$</u>	<u>31 December</u> <u>2019</u> <u>US \$</u>
ASSETS			
Current assets			
Cash and cash equivalents.....		797	663
Prepaid expenses and other receivables.....		80	145
Total current assets		<u>877</u>	<u>808</u>
Total assets		<u><u>877</u></u>	<u><u>808</u></u>
LIABILITIES			
Trade payables and accrued liabilities		124	214
Derivative liabilities	5	<u>546</u>	<u>227</u>
Total current liabilities.....		<u>670</u>	<u>441</u>
Total liabilities		<u><u>670</u></u>	<u><u>441</u></u>
Net assets (liabilities)		<u><u>207</u></u>	<u><u>367</u></u>
EQUITY			
Share capital	6	4,798	4,777
Share premium	6	97,809	97,003
Group reorganization reserve	6	(544)	(544)
Accumulated deficit.....	6	<u>(101,586)</u>	<u>(100,869)</u>
Total Equity		<u><u>207</u></u>	<u><u>367</u></u>

The accompanying footnotes are an integral part of these condensed interim financial statements.

Unaudited interim condensed statements of changes in equity
For the six months ended 30 June 2020 and 2019
(in thousands)

	Note	Share capital US \$ (000's)	Share premium US \$ (000's)	Group reorganizatio n reserve US \$ (000's)	Accumulat ed deficit US \$ (000's)	Total US \$ (000's)
Balance at 31 December 2018		4,032	93,456	(544)	(1,784)	95,160
Gain for the period		—	—	—	4,807	4,807
Total comprehensive loss for the period		—	—	—	4,807	4,807
Issue of share capital	6	594	2,971	—	—	3,565
Cost of issuance	6	—	(268)	—	—	(268)
Exercise of share options and warrants .	5	7	295	—	—	302
Share-based payments	7	—	—	—	56	56
Balance at 30 June 2019		4,633	96,454	(544)	3,079	103 622
Balance at 31 December 2019		4,777	97,003	(544)	(100,869)	367
Loss for the period.....		—	—	—	(987)	(987)
Total comprehensive loss for the period		—	—	—	(987)	(987)
Issue of share capital	6	20	789	—	—	809
Cost of issuance	6	—	(41)	—	—	(41)
Exercise of share options and warrants .	5	1	58	—	—	59
Share-based payments	7	—	—	—	—	—
Balance at 30 June 2020		4,798	97,809	(544)	(101,856)	207

The accompanying footnotes are an integral part of these condensed interim financial statements.

Unaudited interim condensed statements of changes in cash flows
For the six months ended 30 June 2020 and 2019
(in thousands)

	<u>Note</u>	<u>Six months ended 30 June 2020 US \$</u>	<u>Six months ended 30 June 2019 US \$</u>
Operating activities			
Operating loss for the period		(650)	(812)
Adjustments to reconcile net loss to net cash used in activities:			
Share-based payments	7	—	56
Interest received.....		—	2
Changes in operating assets and liabilities:			
Prepaid expenses and other receivables		65	6
Trade payables and accrued liabilities		(91)	(82)
Net cash used in operating activities.....		(676)	(830)
Investing activities			
Capital contributions to subsidiary.....		—	(3,240)
Due from Motif Bio Inc.		—	769
Net cash used in investing activities.....		—	(2,471)
Financing activities			
Proceeds from issue of share capital.....	6	809	3,565
Costs of issuance of share capital.....	6	(41)	(268)
Proceeds from exercise of warrants and options.....	5	59	244
Net cash provided by financing activities.....		827	3,541
Net change in cash.....		151	240
Cash, beginning of the year		663	560
Effect of foreign exchange rate changes		(17)	(57)
Cash, end of the period.....		797	743

The accompanying footnotes are an integral part of these condensed interim financial statements.

1. General information and basis of preparation

Motif Bio plc (the “Company” or “Motif”) is domiciled in England and Wales having originally been incorporated on November 20, 2014 as Motif Bio Limited, a private company, with company registration number 09320890. On 1 April 2015, the Company was re-registered as a public company limited by shares and changed its name to Motif Bio plc. The Company’s registered office is at: 201 Temple Chambers, 3-7 Temple Avenue, London EC4Y 0DT, U.K.

The Company’s ordinary shares are listed on AIM. On 28 January 2020, the Company announced that it was reclassified as an AIM Rule 15 Cash Shell and, as such, was required to make an acquisition or acquisitions which constitute(s) a reverse takeover under AIM Rule 14 within six months to continue to have its shares traded on the AIM market. On 29 July 2020, the London Stock Exchange suspended trading in the Company’s AIM listed ordinary shares pursuant to AIM Rule 40. The AIM rules provide that the Company has an additional six months from the suspension date to complete a qualifying transaction. If the Company does not complete a qualifying transaction by 28 January 2021, the Company’s shares will be delisted from AIM.

From November 2016 until December 2019, the Company had American Depository Shares (“ADS’s”) and ADS warrants that were traded on the NASDAQ Capital Market. Effective December 2019 following a voluntary delisting, the Company’s ADS’s and ADS warrants are no longer traded on the NASDAQ Capital Market.

The Subsidiary, Motif BioSciences Inc., was previously reported as discontinued operations in the consolidated statements of comprehensive loss and the related assets and liabilities were presented as held-for-sale in the consolidated balance sheet as of 31 December 2019. In the first quarter of 2020, the Company determined that it no longer had control over Motif BioSciences Inc. and, in accordance with IFRS 10, determined that it will no longer consolidate the financial results of the entity for financial reporting periods commencing in 2020. The comparatives similarly comprise the results and position of the Company only and have been described as restated as a consequence of this change in the basis of preparation.

These unaudited interim condensed financial statements for the six months ended 30 June 2020 together with the notes thereto (the “Unaudited Interim Condensed Financial Statements”) of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and as adopted by the European Union. As permitted by International Accounting Standard 34 – “Interim financial reporting” (“IAS 34”), the Unaudited Interim Condensed Financial Statements do not include all disclosures required for a full presentation and do not constitute statutory financial statements. The Unaudited Interim Condensed Financial Statements should be read in conjunction with the Company’s Annual Consolidated Financial Statements for the years ended 31 December 2019 and 2018, which have been prepared in accordance with IFRS as issued by IASB and in conformity with IFRS as adopted by the European Union.

The Unaudited Interim Condensed Financial Statements were approved for issuance by the Board of Directors on 12 October 2020.

The Unaudited Interim Condensed Financial Statements are presented in United States Dollars (US \$), which is the Company’s functional and presentation currency. However, during the reporting period the Company had foreign currency exposure. Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at period end exchange rates are generally recognized in profit or loss.

Going concern

The Company had US \$0.8 million 30 June 2020 and may require additional capital in the future. To the extent that the company raises additional funds by issuing equity securities, its existing stockholders may experience significant dilution.

The Company's Directors are focused on sourcing an appropriate reverse takeover candidate for the Company. There is no assurance that the effort will be successful to source and/or complete a reverse takeover transaction. In addition, as of the date these financial statements were approved, the Company can provide no assurance that additional capital will be available if/when required and/or on acceptable terms.

The Directors have concluded that these conditions, including recurring and expected continuing operating losses, indicate a material uncertainty that may cast a significant doubt about the Company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis that the Company is a going concern, which contemplates the continuity of normal business activity, realization of assets and settlement of liabilities in the normal course of business. Should the entity not be able to continue as a going concern, it may be required to realize its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Company not continue as a going concern.

Significant Events Subsequent to 30 June 2020

On 29 July 2020, the London Stock Exchange suspended the trading in the Company's AIM securities pursuant to AIM Rule 40. The AIM rules provide that the Company will have an additional six months from the suspension date to complete a qualifying transaction. If the Company does not complete a qualifying transaction by 28 January 2021, the Company's shares will be delisted from the AIM market.

Segment Information

The chief operating decision-maker is considered to be the Board of Directors of Motif Bio plc. The chief operating decision-maker allocates resources and assesses performance of the business and other activities at the operating segment level. In addition, they review the IFRS financial statements.

The chief operating decision-maker had determined that the Company currently has one segment-to support its strategy as an AIM 15 cash shell entity focused on sourcing a reverse-take-over candidate.

Fair value disclosures

The Company's cash, prepaid expenses and other current assets and trade and other payables are stated at their respective historical carrying amounts, which approximates fair value due to their short-term nature. The Company's derivative liability is measured at fair value using Level 1 and 2 inputs. See discussion in Note 5 on the inputs utilized in the Black-Scholes option pricing model and for a rollforward of the derivative liability.

2. Breakdown of expenses by nature

(in thousands)	Six months ended	
	30 June 2020	30 June 2019
	US \$	US \$
<u>General and administrative expenses</u>		
Director fees, employee/consultant compensation, including share-based payments.....	332	373
Legal and professional fees	159	223
Investor and public relations and related fees	120	206
Other expenses.....	39	10
	<u>650</u>	<u>812</u>

No research and development expenses were incurred in 2020. All research and development expenses incurred prior to 2020 were recorded by the Company's previously consolidated subsidiary (Note 1).

The expenses above do not reflect obligations that are contingent on the completion of a reverse takeover or similar transaction.

3. Income tax expense

The Company has recorded a net operating loss for the six months ended 30 June 2020 and 2019. The Company does not expect to have a material tax obligation.

4. Loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of shares in issue during the year. Diluted EPS is computed by dividing net income (loss) by the weighted average of all potentially diluted shares of common stock that were outstanding during the periods presented.

The treasury stock method is used in the calculation of diluted EPS for potentially dilutive liability classified options and warrants, which assumes that any proceeds received from the exercise of in-the-money options and warrants, would be used to purchase common shares at the average market prices for the period. The Company did not have a dilutive impact from applicable warrants and options during the periods presented.

(in thousands, except share and per share data)	Six months ended	
	30 June 2020	30 June 2019
	US \$	US \$
Basic		
Net loss	<u>(987)</u>	<u>4,807</u>
Basic weighted average shares in issue.....	539,017,710	321,751,131
Basic loss per share.....	<u>(0.002)</u>	<u>0.015</u>
Diluted		
Net loss	(987)	4,807
Effect of dilutive securities: liability-classified warrants	—	—
Diluted net loss	<u>(987)</u>	<u>4,807</u>

Weighted average shares in issue - basic.....	539,017,710	321,751,131
Incremental dilutive shares from liability-classified warrants (treasury stock method).....	—	—
Weighted average shares in issue - diluted.....	<u>539,017,710</u>	<u>321,751,131</u>
Diluted loss per share	<u>(0.002)</u>	<u>0.015</u>

The following potentially dilutive securities outstanding at 30 June 2020 and 2019 have been excluded from the computation of diluted weighted average shares outstanding, as they would be antidilutive.

	Six months ended	
	2020	2019
Warrants.....	<u>822,083</u>	<u>10,767,520</u>
Share options.....	<u>165,955,148</u>	<u>18,109,081</u>
	<u>166,777,231</u>	<u>28,876,601</u>

5. Warrants

Warrant activity

The Company has issued warrants for services performed and in conjunction with various equity financings. The Company's warrants have either a Sterling or US Dollar exercise price. The following is a summary of the Company's warrant activity during the six months ended June 30, 2020:

	Number of Warrants		Weighted Average Exercise Price	
	<u>Ordinary shares</u>	<u>ADS</u>	<u>Ordinary shares</u>	<u>ADS</u>
Outstanding as of 1 January 2020	155,564,670	1,212,902	£ 0.273	\$ 8.02
Granted	—	—	—	—
Cancelled	(724,705)	—	£ 0.200	—
Exercised	(7,142,857)	—	£ 0.007	—
Outstanding as of 30 June 2020	<u>147,697,108</u>	<u>1,212,902</u>	<u>£ 0.042</u>	<u>\$ 8.02</u>

The Company's warrants outstanding and exercisable as of 30 June 2020 were as follows:

Type of Warrant Outstanding	Number Outstanding and Exercisable	Exercise Price	Expiration Date
Ordinary shares ⁽¹⁾	1,082,384	GBP £ 0.50	July 21, 2020
Ordinary shares ⁽²⁾	10,317,252	GBP £ 0.322	23 November 2021
ADS ⁽²⁾⁽³⁾	1,202,902	US \$ 8.03	23 November 2021
Ordinary shares ⁽¹⁾	8,960,431	GBP £ 0.20	April 2, 2025
ADS ⁽²⁾⁽³⁾	10,000	US \$ 7.26	July 31, 2022
Ordinary shares ⁽²⁾⁽⁴⁾	121,337,047	GBP £ 0.004	27 January 2025
Ordinary shares ⁽²⁾⁽⁴⁾	6,000,000	GBP £ 0.002	27 January 2025

⁽¹⁾ Warrants totaling 10,042,815 of ordinary shares are equity classified.

⁽²⁾ Warrants totaling 137,654,293 of ordinary shares and 1,212,902 of ADS are liability classified.

⁽³⁾ Each ADS represents 20 ordinary shares.

⁽⁴⁾ Warrants totaling 134,479,904 of ordinary shares were issued on 27 January 2020. The accounting treatment thereof was recorded as of 31 December 2019 as an adjusting subsequent event. A total of 7,142,857 of these warrants were exercised prior to 30 June 2020.

Liability classified warrants

ADS warrants

On 23 November 2016, the Company closed an initial U.S. offering of 2,438,491 ADS and 1,219,246 ADS warrants at a price of US \$6.98 per ADS/Warrant combination. Each ADS represented 20 ordinary shares. The warrants have an exercise price of US \$8.03 per ADS and expire on 23 November 2021. As the Company failed to maintain the effectiveness of its Registration Statement, the warrant is only exercisable on a cashless basis. This results in variability in the number of shares issued and therefore, the warrants were designated as a financial liability carried at fair value through profit and loss. On issuance of the ADS warrants, the Company recorded a derivative liability of US \$3.8 million using the Black-Scholes model.

On 1 August 2017, the Company issued to a third party a warrant to purchase up to 60,000 ADSs at an exercise price of US \$7.26 per ADS. A total of 10,000 ADSs were vested and outstanding as of 30 June 2020. The remaining 50,000 ADSs were forfeited. On issuance of the ADS warrants, the Company recorded a derivative liability of \$0.1 million using the Black-Scholes model.

The Company develops its own assumptions for use in the Black-Scholes option pricing model that do not have observable inputs or available market data to support the fair value. This method of valuation involves using inputs such as the fair value of the Company's common stock, stock price volatility of comparable companies, the contractual term of the warrants, risk free interest rates and dividend yields. November 26, 2019, the Company notified NASDAQ Capital Market of its intention to delist the ADS shares and ADS warrants from trading. The ADS shares and ADS warrants were voluntarily delisted from trading in December 2019.

The liability classified ADS warrants had a nil fair value at 30 June 2020 and 31 December 2019, using the following weighted-average assumptions in the Black-Scholes model:

	30 June 2020	31 December 2019
Share price (US \$) ⁽¹⁾	0.11	0.10
Exercise price (US \$)	8.02	8.08
Expected volatility	131%	92 %
Number of periods to exercise	1.41	1.90
Risk free rate.....	0.16 %	1.58 %
Expected dividends.....	—	—

⁽¹⁾ Effective December 2019 following a voluntary delisting, the Company's ADS shares are no longer traded on the NASDAQ Capital Market. The share price utilized represents the Company's ordinary share price adjusted to reflect the conversion to ADS equivalents and conversion to the U.S. dollar.

Ordinary warrants

On 23 November 2016, the Company placed 22,863,428 ordinary shares together with 11,431,714 warrants over ordinary shares at a price of £0.28 per share/warrant combination. The warrants have an exercise price of £0.322 per warrant and expire on 23 November 2021. As the Company has not maintained an effective Registration Statement, the warrant is now only exercisable on a cashless basis. This results in variability in the number of shares issued and therefore, the warrants were designated as a financial liability carried at fair value through profit and loss. On issuance

of the warrants, the Company recorded a derivative liability of US \$1.8 million using the Black-Scholes model.

On 27 January 2020, the Company granted to Hercules Capital Inc. warrants over an aggregate of 121,337,041 ordinary shares. These warrants will expire on 27 January 2025 and have an exercise price of 0.42 pence per share. The Company also granted warrants over 6,000,000 ordinary shares to certain former board members at an exercise price of 0.24 pence per share that will expire on 27 January 2025. The issuance of these warrants was presented as an adjusting subsequent event at 31 December 2019 (Note 1).

At 30 June 2020 and 31 December 2019, the liability classified ordinary warrants had a fair value of US \$0.5 million and \$0.2 million using the following weighted-average assumption in the Black-Scholes model:

	30 June 2020	31 December 2019
Share price (GBP)	0.005	0.002
Weighted exercise price (GBP)	0.028	0.028
Expected volatility	106 %	85 %
Number of periods to exercise	4.34	4.77
Risk-free rate	0.28 %	1.68 %
Expected dividends.....	—	—

The following is a summary of the Company's liability classified warrant activity, including both ADS and Ordinary warrants, during the six-months ended 30 June 2020.

(in thousands)	Fair value US \$
Liability classified warrants	
Balance at 31 December 2019	227
Issued during the year	—
Exercised during the year	—
Impact of foreign exchange.....	14
Loss from revaluation of derivative liabilities.....	305
Balance at 30 June 2020	<u>546</u>

6. Share capital

On 14 November 2019, each of the Company's ordinary shares of 1 pence par value were divided into one new ordinary share of 0.01 pence par value and one deferred share of 0.99 pence stated value. The deferred shares have no rights and the Company did not issue any share certificates or credit CREST accounts in respect of them. The deferred shares are not admitted to trading on AIM and have no rights to participate in the profits of the Company. In the event of a wind-down or dissolution of the Company, the deferred shares shall be entitled to participate pari-passu in the dissolution of the Company's assets that are in excess of GBP £1 trillion.

The number of new ordinary shares in issue and held by each Shareholder at the time of the Share Capital Reorganisation, was equal to the number of existing ordinary shares in issue immediately prior to the Share Capital Reorganisation. Only the nominal value changed with respect to the new ordinary share. The new ordinary shares will continue to carry the same rights as those attached in the previously existing ordinary shares, save for the reduction in nominal value.

The net effect is that the par value for the Company's ordinary shares changed to 0.01 pence as a result of this sub-division.

Allotted, called up and fully paid: (in thousands, except share data)	Number	US \$
In issue at 31 December 2019	485,348,166	4,777
Issued:		
Ordinary shares of 0.01p each.....	162,500,000	20
Ordinary shares of 0.01p each.....	7,142,857	1
In issue at 30 June 2020	654,991,023	4,798
<i>Deferred shares at 30 June 2020</i> ¹	<i>342,491,023</i>	—

¹ On 14 November 2019, each ordinary share of 1 pence par value were divided into one new ordinary share of 0.01 pence par value and one deferred share of 0.99 pence stated value, as previously described. The deferred shares have no rights to participate in the profits and losses of the company.

On 5 May 2020, the Company issued 162,500,000 new ordinary shares at 0.004 pence per share and received US \$0.8 million of net proceeds.

On 14 May 2020, the Company issued 7,142,857 new ordinary shares upon the exercise of a warrant.

Share premium represents the excess over nominal value of the fair value consideration received for equity shares net of expenses of the share issue

The deferred shares were issued pursuant to a corporate restructuring and consequent capital reorganisation approved by the Company's shareholders on 14 November 2019 in accordance with which each Ordinary Share of 1 penny was subdivided into one new ordinary share of 0.01 pence and one deferred share of 0.99 pence. The deferred shares have no rights to participate in the profits of the company and the Company has not issued any share certificates or credited CREST accounts in respect of them. The deferred shares were not admitted to trading on AIM.

Retained deficit represents accumulated losses.

The Group re-organization reserve arose when Motif Bio plc became the parent of the consolidated Group in 2015. Being a common control transaction and, therefore, outside the scope of IFRS 3, it was accounted for as a Group re-organization and not a business combination. The re-organization reserve can be derived by calculating the difference between the nominal value of the shares in Motif Bio plc issued to the former shareholders in Motif BioSciences Inc. and the share capital and share premium of Motif BioSciences Inc. at the date of the merger. The nominal value of the Company shares was used in the calculation of the reorganization reserve.

11. Share-based payments

Motif Bio plc adopted a Share Option Plan (the "New Plan") on 1 April 2015. The exercise price for each option will be established at the discretion of the Board provided that the exercise price for each option shall not be less than the nominal value of the relevant shares if the options are to be satisfied by a new issue of shares by the Company and provided that the exercise price per share for an option shall not be less than the fair market value of a share on the effective date of grant of the option. Options will be exercisable at such times or upon such events and subject to such

terms, conditions and restrictions as determined by the Board on grant date. However, no option shall be exercisable after the expiration of ten years after the effective date of grant of the option.

The following is a summary of the Company's option activity for the six months ending 30 June 2020.

	Number of share options	Weighted average exercise price US \$
Outstanding at 31 December 2019	3,778,563	0.50
Granted during the period.....	—	—
Forfeited during the period.....	(2,432,560)	0.43
Exercised during the period.....	—	—
Expired during the period.....	(523,920)	0.70
Outstanding at 30 June 2020	<u>822,083</u>	0.14
Exercisable at 30 June 2020	<u>822,083</u>	0.14

The total expense recognized for the periods arising from stock-based payments are as follows:

	Six months ended	
	30 June 2020 ¹ US \$	30 June 2019 US \$
General and administrative expense.....	—	327
Research and development expense.....	—	34
Total share-based payment expense.....	<u>—</u>	<u>361</u>

¹ All stock-based compensation for the options outstanding and exercisable at 30 June 2020 was recorded in prior periods and did not have an impact on the 2020 interim financial results.

14. Subsequent Events

On 29 July 2020, the London Stock Exchange suspended the trading in the Company's AIM securities pursuant to AIM Rule 40. The AIM rules provide that the Company will have an additional six months from the suspension date to complete a qualifying transaction. If the Company does not complete a qualifying transaction by 28 January 2021, the Company's shares will be delisted from the AIM market.