NORTHWEST BIOTHERAPEUTICS INC

FORM 10-Q

(Quarterly Report)

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

FORM 10-Q

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

For the quarterly period ended June 30, 2022

OR

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______to _______

Commission File Number: 001-35737

NORTHWEST BIOTHERAPEUTICS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**94-3306718**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

4800 Montgomery Lane, Suite 800, Bethesda, MD 20814
(Address of principal executive offices) (Zip Code)

(240) 497-9024
(Registrant’s telephone number)

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 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	☐

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

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. ☐

Title of each class	**Trading Symbol**	**Name of each exchange on which registered**
Common Stock, par value $0.001 per share	NWBO	OTCQB

As of August 4, 2022, the total number of shares of common stock, par value $0.001 per share, outstanding was 1,037,230,618.

NORTHWEST BIOTHERAPEUTICS, INC.
FORM 10-Q
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PART I - FINANCIAL INFORMATION

NORTHWEST BIOTHERAPEUTICS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	June 30, 2022 (Unaudited)	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,831	$ 15,169
Prepaid expenses and other current assets	2,347	2,121
Total current assets	7,178	17,290
Non-current assets:		
Property, plant and equipment, net	13,748	15,027
Right-of-use asset, net	4,335	4,889
Indefinite-lived intangible asset	1,292	1,292
Goodwill	626	626
Other assets	342	1,036
Total non-current assets	20,343	22,870
TOTAL ASSETS	**$ 27,521**	**$ 40,160**
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued expenses	$ 8,370	$ 6,976
Accounts payable and accrued expenses to related parties and affiliates	5,657	3,971
Convertible notes, net	135	135
Notes payable, net	9,858	7,104
Contingent payable derivative liability	8,123	8,232
Warrant liability	65,686	106,784
Lease liabilities	329	317
Shares payable	—	250
Total current liabilities	98,158	133,769
Non-current liabilities:		
Notes payable, net of current portion, net	16,455	25,156
Lease liabilities, net of current portion	4,574	5,226
Total non-current liabilities	21,029	30,382
Total liabilities	119,187	164,151
COMMITMENTS AND CONTINGENCIES (Note 10)		
Stockholders' deficit:		
Preferred stock ($0.001 par value); 100,000,000 shares authorized as of June 30, 2022 and December 31, 2021, respectively	—	—
Common stock ($0.001 par value); 1,200,000,000 shares authorized; 1,034.5 million and 948.4 million shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	1,034	948
Additional paid-in capital	1,139,811	1,066,873
Stock subscription receivable	(79)	(79)
Accumulated deficit	(1,235,972)	(1,192,090)
Accumulated other comprehensive income	3,540	357
Total stockholders' deficit	(91,666)	(123,991)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	**$ 27,521**	**$ 40,160**

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

NORTHWEST BIOTHERAPEUTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(in thousands, except per share amounts)
(Unaudited)

	For the three months ended June 30, 2022	For the three months ended June 30, 2021	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Revenues:				
Research and other	$ 477	$ 416	$ 880	$ 655
Total revenues	477	416	880	655
Operating costs and expenses:				
Research and development	13,645	5,451	18,465	12,374
General and administrative	7,931	7,372	15,800	20,258
Total operating costs and expenses	21,576	12,823	34,265	32,632
Loss from operations	(21,099)	(12,407)	(33,385)	(31,977)
Other income (expense):				
Change in fair value of derivative liabilities	(4,254)	17,500	(3,714)	35,063
Gain (loss) from extinguishment of debt	(110)	(136)	300	(144)
Interest expense	(1,432)	(807)	(3,335)	(2,254)
Foreign currency transaction loss	(2,773)	260	(3,748)	(401)
Total other income (loss)	(8,569)	16,817	(10,497)	32,264
Net income (loss)	$ (29,668)	$ 4,410	$ (43,882)	$ 287
Other comprehensive income (loss)				
Foreign currency translation adjustment	2,375	(274)	3,183	350
Total comprehensive income (loss)	$ (27,293)	$ 4,136	$ (40,699)	$ 637
Net earnings (loss) per share applicable to common stockholders				
Basic	$ (0.03)	$ 0.01	$ (0.04)	$ 0.00
Diluted	$ (0.03)	$ (0.01)	$ (0.04)	$ (0.03)
Weighted average shares used in computing basic earnings (loss) per share	1,003,976	851,805	981,737	843,252
Weighted average shares used in computing diluted earnings (loss) per share	1,003,976	1,159,076	981,737	1,147,423

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

NORTHWEST BIOTHERAPEUTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(in thousands)
(Unaudited)

	For the Three Months Ended June 30, 2022						
	Common Stock		Additional Paid-in	Subscription	Accumulated	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Par value	Capital	Receivable	Deficit	Income	Deficit
Balances at April 1, 2022	**969,697**	**$ 970**	**$1,083,723**	**$ (79)**	**$ (1,206,304)**	**$ 1,165**	**$ (120,525)**
Issuance of common stock for cash	8,584	8	6,317	—	—	—	6,325
Warrants exercised for cash	23,747	24	5,347	—	—	—	5,371
Reclassification of warrant liabilities related to warrants exercised for cash	—	—	11,973	—	—	—	11,973
Cashless warrants and stock options exercise	28,877	29	(29)	—	—	—	—
Reclassification of warrant liabilities related to cashless warrants exercise	—	—	25,375	—	—	—	25,375
Issuance of common stock conversion of debt and accrued interest	2,070	2	1,343	—	—	—	1,345
Stock-based compensation	1,500	1	5,762	—	—	—	5,763
Net loss	—	—	—	—	(29,668)	—	(29,668)
Cumulative translation adjustment	—	—	—	—	—	2,375	2,375
Balances at June 30, 2022	**1,034,475**	**$ 1,034**	**$1,139,811**	**$ (79)**	**$ (1,235,972)**	**$ 3,540**	**$ (91,666)**

	For the Three Months Ended June 30, 2021						
	Common Stock		Additional Paid-in	Subscription	Accumulated	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Par value	Capital	Receivable	Deficit	Income (Loss)	Deficit
Balance at April 1, 2021	**842,358**	**$ 842**	**$ 1,021,900**	**$ (79)**	**$ (1,375,339)**	**$ (524)**	**$ (353,200)**
Issuance of common stock and warrants for conversion of debt and accrued interest	612	1	880	—	—	—	881
Warrants and stock options exercised for cash	13,326	13	3,315	—	—	—	3,328
Reclassification of warrant liabilities related to warrants exercised for cash	—	—	8,459	—	—	—	8,459
Cashless warrants and stock options exercise	934	1	(1)	—	—	—	—
Reclassification of warrant liabilities related to cashless warrants exercise	—	—	1,446	—	—	—	1,446
Stock-based compensation	—	—	3,551	—	—	—	3,551
Reclassification of warrant liabilities based on authorized shares	—	—	(18,443)	—	—	—	(18,443)
Net income	—	—	—	—	4,410	—	4,410
Cumulative translation adjustment	—	—	—	—	—	(274)	(274)
Balance at June 30, 2021	**857,230**	**$ 857**	**$ 1,021,107**	**$ (79)**	**$ (1,370,929)**	**$ (798)**	**$ (349,842)**

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

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NORTHWEST BIOTHERAPEUTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(in thousands)
(Unaudited)

	For the Six Months Ended June 30, 2022						
	Common Stock		Additional Paid-in Capital	Subscription Receivable	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Deficit
	Shares	Par value					
Balances at January 1, 2022	**948,445**	**$ 948**	**$1,066,873**	**$ (79)**	**$(1,192,090)**	**$ 357**	**$ (123,991)**
Issuance of common stock for cash	13,137	13	9,676	—	—	—	9,689
Warrants exercised for cash	39,003	39	9,517	—	—	—	9,556
Reclassification of warrant liabilities related to warrants exercised for cash	—	—	19,688	—	—	—	19,688
Cashless warrants and stock options exercise	28,903	29	(29)	—	—	—	—
Reclassification of warrant liabilities related to cashless warrants exercise	—	—	25,379	—	—	—	25,379
Issuance of common stock conversion of debt and accrued interest	3,482	4	2,328	—	—	—	2,332
Stock-based compensation	1,505	1	6,379	—	—	—	6,380
Net loss	—	—	—	—	(43,882)	—	(43,882)
Cumulative translation adjustment	—	—	—	—	—	3,183	3,183
Balances at June 30, 2022	**1,034,475**	**$ 1,034**	**$1,139,811**	**$ (79)**	**$(1,235,972)**	**$ 3,540**	**$ (91,666)**

	For the Six Months Ended June 30, 2021						
	Common Stock		Additional Paid-in Capital	Subscription Receivable	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Deficit
	Shares	Par value					
Balance at January 1, 2021	**829,631**	**$ 830**	**$1,008,665**	**$ (79)**	**$(1,371,216)**	**$ (1,148)**	**$ (362,948)**
Issuance of common stock for cash	69	—	16	—	—	—	16
Issuance of common stock and warrants for conversion of debt and accrued interest	5,145	5	7,495	—	—	—	7,500
Warrants and stock options exercised for cash	16,198	16	4,057	—	—	—	4,073
Reclassification of warrant liabilities related to warrants exercised for cash	—	—	11,394	—	—	—	11,394
Cashless warrants and stock options exercise	6,139	6	(6)	—	—	—	—
Reclassification of warrant liabilities related to cashless warrants exercise	—	—	1,592	—	—	—	1,592
Stock-based compensation	48	—	13,442	—	—	—	13,442
Reclassification of warrant liabilities based on authorized shares	—	—	(25,548)	—	—	—	(25,548)
Net income	—	—	—	—	287	—	287
Cumulative translation adjustment	—	—	—	—	—	350	350
Balance at June 30, 2021	**857,230**	**$ 857**	**$1,021,107**	**$ (79)**	**$(1,370,929)**	**$ (798)**	**$ (349,842)**

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

NORTHWEST BIOTHERAPEUTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Cash Flows from Operating Activities:		
Net income (loss)	$ (43,882)	$ 287
Reconciliation of net loss to net cash used in operating activities:		
Depreciation and amortization	624	145
Amortization of debt discount	1,509	1,357
Change in fair value of derivatives	3,714	(35,063)
(Gain) loss from extinguishment of debt	(300)	144
Amortization of operating lease right-of-use asset	121	149
Stock-based compensation for services	6,380	13,369
Subtotal of non-cash charges	12,048	(19,899)
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(286)	992
Other non-current assets	660	(218)
Accounts payable and accrued expenses	1,533	1,424
Related party accounts payable and accrued expenses	2,056	(2,645)
Lease liabilities	63	19
Net cash used in operating activities	(27,808)	(20,040)
Cash Flows from Investing Activities:		
Purchase of equipment and construction in progress	(466)	(1,771)
Net cash used in investing activities	(466)	(1,771)
Cash Flows from Financing Activities:		
Proceeds from issuance of common stock, net	9,465	16
Proceeds from exercise of warrants and stock options	9,556	4,073
Proceeds from issuance of notes payable, net	600	12,288
Repayment of notes payable	(5,290)	(835)
Net cash provided by financing activities	14,331	15,542
Effect of exchange rate changes on cash and cash equivalents	3,605	44
Net decrease in cash and cash equivalents	(10,338)	(6,225)
Cash and cash equivalents, beginning of the period	15,169	9,983
Cash and cash equivalents, end of the period	$ 4,831	$ 3,758
Supplemental disclosure of cash flow information		
Interest payments on notes payable	$ (876)	$ (174)

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

NORTHWEST BIOTHERAPEUTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Supplemental schedule of non-cash investing and financing activities:		
Cashless warrants and stock options exercise	$ 29	$ 6
Reclassification of warrant liabilities related to warrants exercised for cash	$ 19,688	$ 11,394
Reclassification of warrant liabilities related to cashless warrants exercise	$ 25,379	$ 1,592
Reclassification of warrant liabilities based on authorized shares	$ —	$ 25,548
Issuance of common stock and warrants for conversion of debt and accrued interest	$ 2,229	$ 7,487
Reclassification between shares payable and equity	$ 250	$ —
Capital expenditures included in accounts payable	$ 49	$ 592

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

NORTHWEST BIOTHERAPEUTICS, INC.
NOTES TO CONDENSED CONSOLIDATED STATEMENTS

1. Organization and Description of Business

Northwest Biotherapeutics, Inc. and its wholly owned subsidiaries Flaskworks L.L.C., NW Bio GmbH, Aracaris Ltd, Aracaris Capital, Ltd, and Northwest Biotherapeutics B.V. (collectively, the “Company”, “we”, “us” and “our”) were organized to discover and develop innovative immunotherapies for cancer. The Company has developed DCVax® platform technologies for both operable and inoperable solid tumor cancers. The Company is headquartered in Bethesda, Maryland and has wholly owned subsidiaries in the U.K., in the Netherlands, and in Boston, Massachusetts.

The Company relies upon contract manufacturers for production of its DCVax products, research and development services, distribution and logistics, and related services, in compliance with the Company’s specifications and the applicable regulatory requirements.

2. Financial Condition, Going Concern and Management Plans

The Company has incurred annual net operating losses since its inception. The Company had a net loss of $43.9 million for the six months ended June 30, 2022. The Company used approximately $27.8 million of cash in its operating activities during the six months ended June 30, 2022.

The Company does not expect to generate material revenue in the near future from the sale of products and is subject to all of the risks and uncertainties that are typically faced by biotechnology companies that devote substantially all of their efforts to research and development (“R&D”) and clinical trials and do not yet have commercial products. The Company expects to continue incurring annual losses for the foreseeable future. The Company’s existing liquidity is not sufficient to fund its operations, anticipated capital expenditures, working capital and other financing requirements until the Company reaches significant revenues. Until that time, the Company will need to obtain additional equity and/or debt financing, especially if the Company experiences downturns in its business that are more severe or longer than anticipated, or if the Company experiences significant increases in expense levels resulting from being a publicly-traded company or from expansion of operations. If the Company attempts to obtain additional equity or debt financing, the Company cannot assume that such financing will be available to the Company on favorable terms, or at all.

Because of recurring operating losses and operating cash flow deficits, there is substantial doubt about the Company’s ability to continue as a going concern within one year from the date of this filing. The condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern, and do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets, or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

As previously reported, coronavirus-related difficulties have impacted most aspects of the database lock and the process of analyzing the Phase III trial results, especially with the successive waves of COVID-19 cases in many areas. The independent service firms have had limited capacity, and restrictions on operations. Key experts at certain specialized service providers have been unavailable for periods of time due to illness in their family. Other experts have gone on extended leave due to restrictions on operations. Clinical trial sites have not allowed personnel from the contract research organization managing the trial, or other service providers, to visit the sites for trial matters such as data monitoring and collection activities. Clinical trial site personnel have been unavailable due to being reassigned for COVID-19, and the limited site personnel have had to work under restrictions. Committee processes and regulatory processes have been similarly focused on COVID-19 matters and delayed on other matters. Firms such as the ones storing the Phase III trial tissue samples that are needed for certain analyses, and the firms conducting the analyses have had only limited operations. Even logistical matters such as the shipping of materials have been subjected to substantial restrictions and delays.

3. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries. All material intercompany balances and transactions have been eliminated. Certain immaterial reclassifications have been made to prior period amounts to conform to the current period presentation.

NORTHWEST BIOTHERAPEUTICS, INC.
NOTES TO CONDENSED CONSOLIDATED STATEMENTS

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with the accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and pursuant to the instructions to Form 10-Q and Article 8 of Regulation S-X of the Securities and Exchange Commission ("SEC") and on the same basis as the Company prepares its annual audited consolidated financial statements. The condensed consolidated balance sheet as of June 30, 2022, condensed consolidated statements of operations and comprehensive loss, condensed consolidated statement of stockholders' deficit for the three and six months ended June 30, 2022 and 2021, and the condensed consolidated statements of cash flows for the six months ended June 30, 2022 and 2021 are unaudited, but include all adjustments, consisting only of normal recurring adjustments, which the Company considers necessary for a fair presentation of the financial position, operating results and cash flows for the periods presented. The results for the three and six months ended June 30, 2022 are not necessarily indicative of results to be expected for the year ending December 31, 2022 or for any future interim period. The condensed consolidated balance sheet at December 31, 2021 has been derived from audited financial statements; however, it does not include all of the information and notes required by U.S. GAAP for complete financial statements. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2021 and notes thereto included in the Company's annual report on Form 10-K (the "2021 Annual Report"), which was filed with the SEC on March 1, 2022.

Use of Estimates

In preparing condensed consolidated financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of expenses during the reporting period. Due to inherent uncertainty involved in making estimates, actual results reported in future periods may be affected by changes in these estimates.

On an ongoing basis, the Company evaluates its estimates and judgments, including valuing equity securities in share-based payment arrangements, estimating the fair value of financial instruments recorded as derivative liabilities, useful lives of depreciable assets and whether impairment charges may apply. The Company bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the reported amounts of revenues and expenses that are not readily apparent from other sources. Actual results could differ from those estimates, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing coronavirus pandemic ("COVID-19") and the COVID-19 control responses.

Significant Accounting Policies

There have been no material changes in the Company's significant accounting policies to those previously disclosed in the 2021 Annual Report.

Recently Adopted Accounting Standards

Modifications or Exchanges of Freestanding Equity-Classified Written Call Options

In May 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2021-04, Earnings Per Share (Topic 260), Debt-Modifications and Extinguishments (Subtopic 470-50), Compensation-Stock Compensation (Topic 718), and Derivatives and Hedging-Contracts in Entity's Own Equity (Subtopic 815-40). This ASU reduces diversity in an issuer's accounting for modifications or exchanges of freestanding equity-classified written call options (for example, warrants) that remain equity classified after modification or exchange. This ASU provides guidance for a modification or an exchange of a freestanding equity-classified written call option that is not within the scope of another Topic. It specifically addresses: (1) how an entity should treat a modification of the terms or conditions or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange; (2) how an entity should measure the effect of a modification or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange; and (3) how an entity should recognize the effect of a modification or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange. This ASU will be effective for all entities for fiscal years beginning after December 15, 2021. An entity should apply the amendments prospectively to modifications or exchanges occurring on or after the effective date of the amendments. Early adoption is permitted, including adoption in an interim period. On January 1, 2022, the Company adopted this standard without any material impact on the Company's financial statements or disclosures.

NORTHWEST BIOTHERAPEUTICS, INC.
NOTES TO CONDENSED CONSOLIDATED STATEMENTS

Recent Accounting Standards Not Yet Adopted

Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions

In June 2022, the FASB issued ASU 2022-03, ASC Subtopic 820 “Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions”. The FASB is issuing this Update (1) to clarify the guidance in Topic 820, Fair Value Measurement, when measuring the fair value of an equity security subject to contractual restrictions that prohibit the sale of an equity security, (2) to amend a related illustrative example, and (3) to introduce new disclosure requirements for equity securities subject to contractual sale restrictions that are measured at fair value in accordance with Topic 820.

For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. Early adoption is permitted for both interim and annual financial statements that have not yet been issued or made available for issuance.

The Company is still evaluating the impact of this pronouncement on the consolidated financial statements.

4. Fair Value Measurements

In accordance with ASC 820 (Fair Value Measurements and Disclosures), the Company uses various inputs to measure the outstanding warrants and certain embedded conversion feature associated with convertible debt on a recurring basis to determine the fair value of the liability. ASC 820 also establishes a hierarchy categorizing inputs into three levels used to measure and disclose fair value. The hierarchy gives the highest priority to quoted prices available in active markets and the lowest priority to unobservable inputs. An explanation of each level in the hierarchy is described below:

Level 1 - Unadjusted quoted prices in active markets for identical instruments that are accessible by the Company on the measurement date

Level 2 - Quoted prices in markets that are not active or inputs which are either directly or indirectly observable

Level 3 - Unobservable inputs for the instrument requiring the development of assumptions by the Company

The following table classifies the Company’s liabilities measured at fair value on a recurring basis into the fair value hierarchy as of June 30, 2022 and December 31, 2021 (in thousands):

	Fair value measured at June 30, 2022			
	Fair value at June 30, 2022	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Warrant liability	$ 65,686	$ —	$ —	$ 65,686
Embedded redemption option	1,033	—	—	1,033
Contingent payable derivative liability	8,123	—	—	8,123
Total fair value	$ 74,842	$ —	$ —	$ 74,842

	Fair value measured at December 31, 2021			
	Fair value at December 31, 2021	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Warrant liability	$ 106,784	$ —	$ —	$ 106,784
Embedded redemption option	988	—	—	988
Contingent payable derivative liability	8,232	—	—	8,232
Total fair value	$ 116,004	$ —	$ —	$ 116,004

There were no transfers between Level 1, 2 or 3 during the six-month period ended June 30, 2022.

NORTHWEST BIOTHERAPEUTICS, INC.
NOTES TO CONDENSED CONSOLIDATED STATEMENTS

The following table presents changes in Level 3 liabilities measured at fair value for the six-month period ended June 30, 2022. Both observable and unobservable inputs were used to determine the fair value of positions that the Company has classified within the Level 3 category. Unrealized gains and losses associated with liabilities within the Level 3 category include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable (e.g., changes in unobservable long- dated volatilities) inputs (in thousands).

	Warrant Liability	Embedded Redemption Option	Contingent Payable Derivative Liability	Total
Balance - January 1, 2022	**$106,784**	**$ 988**	**$ 8,232**	**$116,004**
Additional warrant liability	184	7	—	191
Reclassification of warrant liabilities	(45,067)	—	—	(45,067)
Change in fair value	3,785	38	(109)	3,714
Balance – June 30, 2022	**$ 65,686**	**$ 1,033**	**$ 8,123**	**$ 74,842**

A summary of the weighted average (in aggregate) significant unobservable inputs (Level 3 inputs) used in measuring the Company's warrant liabilities and embedded conversion feature that are categorized within Level 3 of the fair value hierarchy as of June 30, 2022 and December 31, 2021 is as follows:

	As of June 30, 2022	
	Warrant Liability	Contingent Payable Derivative Liability
Strike price	$ 0.31	$ 0.63 *
Contractual term (years)	1.4	1.5
Volatility (annual)	82 %	84 %
Risk-free rate	2.2 %	2.7 %
Dividend yield (per share)	0 %	0 %

	As of December 31, 2021	
	Warrant Liability	Contingent Payable Derivative Liability
Strike price	$ 0.30	$ 0.70 *
Contractual term (years)	1.0	1.6
Volatility (annual)	90 %	72 %
Risk-free rate	0.1 %	0.6 %
Dividend yield (per share)	0 %	0 %

* Contingent based on current stock price as of June 30, 2022 and December 31, 2021.

5. Stock-based Compensation

The following table summarizes total amounts of stock-based compensation that were expensed during the three and six months ended June 30, 2022 and 2021 (in thousands). The related party amounts were for milestone incentives that are deemed probable to be achieved in the future and become payable at that time; only $0.5 million was paid during the three months ended June 30, 2022.

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Research and development	$ 641	$ 2,553	$ 1,151	$ 6,242
Research and development - related party	5,340	—	5,340	—
General and administrative	(218)	998	(111)	7,127
Total stock-based compensation expense	**$ 5,763**	**$ 3,551**	**$ 6,380**	**$ 13,369**

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During the three months ended June 30, 2022, the Company reversed approximately $0.9 million and $0.3 million of stock-based compensation expense in research and development and general and administrative, respectively, which were related to the cancellation of certain unvested performance-based awards.

The Black-Scholes option pricing model is used to estimate the fair value of stock options granted. The weighted average assumptions used in calculating the fair values of stock options that were granted during the six months ended June 30, 2022 was as follows:

	For the six months ended June 30, 2022
Exercise price	$ 0.65
Expected term (years)	3.9
Expected stock price volatility	99 %
Risk-free rate	3.3 %
Dividend yield (per share)	0 %

The total unrecognized compensation cost was approximately $9.6 million as of June 30, 2022 and will be recognized over the next 1.5 years.

Stock Options

The following table summarizes stock option activity for the Company's option plans during the six months ended June 30, 2022 (amount in thousands, except per share number):

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Total Intrinsic Value
Outstanding as of January 1, 2022	304,847	$ 0.33	8.0	$ 114,803
Granted[1]	8,005	0.65	7.2	
Cashless exercised	(3,286)	0.49		
Forfeited/expired	(54)	11.20		
Outstanding as of June 30, 2022	309,512	$ 0.34	7.5	$ 92,895
Options vested [2]	286,047	$ 0.33	7.5	$ 87,730

(1) Awards granted to Flaskworks employees and consultants.
(2) Approximately 236.6 million options are not exercisable until at least August 31, 2022.

Ms. Linda Powers, the Company's Chief Executive Officer, and Mr. Leslie Goldman, the Company's Senior Vice President, are subject to an agreement under which they cannot exercise any options or warrants except upon at least 61 days' prior notice.

Restricted Stock Awards

During April 2022, the Company's Board approved and the Company entered into a Statement of Work #6 (the "SOW 6") with Advent BioServices for five workstreams that are prerequisites for an application for regulatory approval of DCVax-L, for drafting of key portions of the application and for three required licenses for the Sawston facility. The SOW provides for baseline costs and for milestone incentives for successful completion of each of the workstreams, the completion of the application and regulatory acceptance of the submission, and regulatory approval of each of the three licenses. The milestone incentives will be a combination of cash and stock, and will not be paid until they are achieved. If all of the milestones are achieved for the 5 workstreams that are prerequisites for an application for product approval, for the application itself and regulatory acceptance of the submission, and for all 3 licenses required for the Sawston facility, the aggregate stock based compensation under SOW 6 will be 12.5 million shares (including the 1.5 millions shares already earned by obtaining the first 2 of the 3 required licenses for the Sawston facility). Such 12.5 million shares had an aggregate fair value on the grant date (effective date) of SOW 6 of $11.8 million. During the three months ended June 30, 2022, the Company recognized and expensed an aggregate of $3.8 million related to the cash component of certain milestones and $5.3 million related to the stock component of such milestones, in anticipation that it is probable the milestones will be achieved and earned in the future. The amounts recognized and expensed during the three months ended June 30, 2022, included $1.5 million cash payable (of which $0.5 million was paid) and 1.5 million shares for milestones met and hence vested, and the pro rata portion of other milestones that are expected to be achieved and become payable in the future. These amounts are only payable if and when the relevant milestones are met. The 1.5 million shares that were issued were for the milestones that had been met by the regulatory approvals of two of the licenses required for the Sawston facility.

6. Notes Payable

The following two tables summarize outstanding debt as of June 30, 2022 and December 31, 2021, respectively (amount in thousands):

	Maturity Date	Stated Interest Rate	Conversion Price	Face Value	Remaining Debt Discount	Embedded Redemption Option	Carrying Value
Short term convertible notes payable							
6% unsecured	Due	6 %	$ 3.09	$ 135	$ —	$ —	$ 135
				135	**—**	**—**	**135**
Short term notes payable							
8% unsecured	Various	8 %	N/A	5,503	(277)	—	5,226
9% unsecured	Various	9 %	N/A	3,932	(10)	7	3,929
12% unsecured	On Demand	12 %	N/A	703	—	—	703
				10,138	**(287)**	**7**	**9,858**
Long term notes payable							
8% unsecured	9/22/2023	8 %	N/A	16,505	(2,202)	1,026	15,329
6% secured	3/25/2025	6 %	N/A	1,126	—	—	1,126
				17,631	**(2,202)**	**1,026**	**16,455**
Ending balance as of June 30, 2022				**$ 27,904**	**$ (2,489)**	**$ 1,033**	**$26,448**

	Maturity Date	Stated Interest Rate	Conversion Price	Face Value	Remaining Debt Discount	Embedded Redemption Option	Carrying Value
Short term convertible notes payable							
6% unsecured	Due	6 %	$ 3.09	$ 135	$ —	$ —	$ 135
				135	**—**	**—**	**135**
Short term notes payable							
8% unsecured	Various	8 %	N/A	2,320	(118)	—	2,202
9% unsecured	Various	9 %	N/A	4,232	(80)	47	4,199
12% unsecured	On Demand	12 %	N/A	703	—	—	703
				7,255	**(198)**	**47**	**7,104**
Long term notes payable							
1% unsecured(10)	Various	1 %	N/A	433	—	—	433
8% unsecured	9/22/2023	8 %	N/A	25,938	(3,638)	941	23,241
6% secured	3/25/2025	6 %	N/A	1,482	—	—	1,482
				27,853	**(3,638)**	**941**	**25,156**
Ending balance as of June 30, 2022				**$ 35,243**	**$ (3,836)**	**$ 988**	**$32,395**

During the six months ended June 30, 2022, the Company entered into multiple four-month note agreements (the "Notes") with various individual lenders (the "Holders") with an aggregate principal amount of $0.6 million for net proceeds of $0.6 million. The Notes have a 9% interest rate, a 5% original issue discount ("OID"), and contain a conditional right to independently purchase shares from the Company in a future raise of Capital (the "Piggy-back Right"), under which the Company agrees that if it (i) publicly releases top line data from the Phase III trial of its DCVax®-L vaccine (such eventuality, the "Release") and (ii) consummates the first offering of its common stock following such Release (the "Next Offering"), then Holder shall have the conditional right, at its sole option, typically exercisable within seven (7) days following the Next Offering, to independently purchase from the Company up to a number of shares equal in value to (a) 50% of the principal amount of the loan, (b) 50% of the value of the exercised warrant shares, and (c) exchange some or all of the outstanding loan amount for a variable number of shares (the “Contingent Rights”). The Contingent Right (a) and (b) above shall be priced at a 12% discount from the Next Offering, resulting in either an elimination of, or a reduced cash amount repayable under the loan agreement. The Company accounted for the Contingent Right (a) and (b) as a freestanding financial instrument, which was classified as a liability at fair value on the Condensed Consolidated Balance Sheet with changes in fair value recognized in the Condensed Consolidated Statement of Operations. The Company accounted for the Contingent Right (c) as an embedded derivative liability at fair value, which requires it to be bifurcated, with changes in fair value recognized in the Condensed Consolidated Statement of Operations.

During the six months ended June 30, 2022, the Company issued approximately 3.5 million shares of common stock at fair value of $2.3 million to certain lenders in lieu of cash payments. The Company recognized approximately $0.1 million debt extinguishment loss.

During the six months ended June 30, 2022, the Company made aggregate cash payments of $6.2 million on notes payable, including $0.9 million of interest payment.

During the six months ended June 30, 2022, the Company entered into multiple note extension agreements whereby the maturity date of the notes was extended for additional 2-4 months.

The Company received two loans under the Coronavirus Aid, Relief and Economic Security (“CARES”) Act’s Paycheck Protection Program (“PPP”) in 2021 for the amount of $0.4 million. On February 22, 2022, the PPP loans were approved for forgiveness. The Company recorded approximately $0.4 million debt extinguishment gain from the forgiveness of these PPP loans.

For the three months ended June 30, 2022 and 2021, interest expense related to notes payable totaled approximately $1.4 million and $0.7 million including amortization of debt discounts totaling $0.7 million and $0.2 million, respectively.

For the six months ended June 30, 2022 and 2021, interest expense related to notes payable totaled approximately $3.3 million and $2.1 million including amortization of debt discounts totaling $1.5 million and $1.4 million, respectively.

7. Net Earnings (Loss) per Share Applicable to Common Stockholders

Basic earnings (loss) per common share is computed by dividing net earnings (loss) by the weighted average number of common shares outstanding during the reporting period. Diluted earnings (loss) per common share is computed similar to basic earnings (loss) per common share except that it reflects the potential dilution that could occur if dilutive securities or other obligations to issue common stock were exercised or converted into common stock. Diluted weighted average common shares include common stock potentially issuable under the Company’s convertible notes, warrants and vested and unvested stock options.

For the three and six months ended June 30, 2021, net income is adjusted for gain from change in fair value of warrant liabilities.

The following table sets forth the computation of earnings (loss) per share (amounts in thousands):

	For the three months ended June 30,		For the six months ended June 30,	
	2022	**2021**	**2022**	**2021**
Net earnings (loss) - basic	$ (29,668)	$ 4,410	$ (43,882)	$ 287
Reversal of gain due to change in fair value of warrant liability	—	(17,500)	—	(35,063)
Net loss - diluted	(29,668)	(13,090)	(43,882)	(34,776)
Weighted average shares outstanding - basic	1,003,976	851,805	981,737	843,252
Diluted shares- Options	—	51,547	—	48,774
Diluted shares- Warrants	—	255,650	—	255,323
Convertible notes and interest	—	74	—	74
Weighted average shares outstanding - diluted	1,003,976	1,159,076	981,737	1,147,423

The following securities were not included in the diluted net earnings (loss) per share calculation because their effect was anti-dilutive as of the periods presented (in thousands):

	For the six months ended June 30,	
	2022	**2021**
Common stock options	309,512	257,005
Common stock warrants	153,110	56,712
Convertible notes and accrued interest	76	—
Potentially dilutive securities	**462,698**	**313,717**

8. Related Party Transactions

Advent BioServices Agreement

The Company has a Manufacturing Services Agreement with Advent BioServices (“Advent”) for the manufacture of DCVax-L products at an existing facility in London, as previously reported. The Company also has an Ancillary Services Agreement with Advent, which establishes a structure under which Advent submits Statements of Work (“SOWs”) for activities related to the development of the Sawston facility and the compassionate use activities in the UK, as previously reported. The Ancillary Services Agreement had an original term of eight months, which ended in July 2020. The Company extended the term by 12 months to July 2021 and another 12 months to July 2022, with no other changes, and recently extended it for another 12 months to July 2023.

During April 2022, the Company's Board approved and the Company entered into a Statement of Work #6 (the "SOW 6") with Advent BioServices for five workstreams that are prerequisites for an application for regulatory approval of DCVax-L, for drafting of key portions of the application and for three required licenses for the Sawston facility. The SOW provides for baseline costs and for milestone incentives for successful completion of each of the workstreams, for the completion of the application and regulatory acceptance of the submission, and for regulatory approval of each of the licenses. The milestone incentives will be a combination of cash and stock, and will not be paid until they are achieved and earned. During the three months ended June 30, 2022, in anticipation that it is probable the milestones will be achieved and earned over the course of the contract period, the Company recognized and expensed an aggregate of $3.8 million (but only paid $0.5 million) related to the cash component of the anticipated milestones, and the Company recognized and expensed $5.3 million related to the stock component of the anticipated milestones (but only issued 1.5 million shares). The 1.5 million shares issued were for the milestones that had been met by the regulatory approvals of two of the licenses required for the Sawston facility.

Advent BioServices Sublease Agreement

On December 31, 2021, the Company entered into a Sub-lease Agreement (the “Agreement”) with Advent. The Agreement permits use by Advent of a portion of the space in the Sawston facility which is leased by the Company under a separate head lease with a different counterparty (Huawei) that commenced on December 14, 2018. The Company subleased approximately 14,459 square feet of the 88,000 square foot building interior space, plus corresponding exterior support space and parking. The lease payments amount under the Agreement are two times the £5.75 (approximate $7.76 per square foot based on exchange rate as of December 31, 2021) rate per square foot payable under the head lease, but subject to a cap of $10 per square foot. Accordingly, the monthly lease payments under the Sublease are calculated based on $144,590 annually for 2022. The total lease payments paid by the Company for the facility, exterior spaces and parking under the head lease are 500,000 pounds per year. The term of the Agreement shall end on the same date as the head lease term ends.

During the three and six months ended June 30, 2022, the Company recognized sub-lease income of $37,000 and $73,000, respectively.

Related Party Expenses and Accounts Payable

During the six months ended June 30, 2022 and 2021, the Company capitalized $28,000 and $1.4 million costs, invoiced by Advent, related to the Sawston facility buildout.

NORTHWEST BIOTHERAPEUTICS, INC.
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The following table summarizes outstanding unpaid accounts payable and accrued expenses held by related parties as of June 30, 2022 and December 31, 2021 (amount in thousands). *These unpaid amounts include part of the expenses reported in the above section. The 2021 balance also included certain expenses incurred in prior periods.*

	June 30, 2022	December 31, 2021
Advent BioServices – amount invoiced	$ 1,407	$ 3,046
Advent BioServices – amount accrued	3,350	—
Accounts payable and accrued expenses to Advent BioServices	$ 4,757	$ 3,046

As of June 30, 2022, there was approximately $0.9 million of unpaid Board compensation that was also included in the accounts payable to related party on the condensed consolidated balance sheets.

9. Stockholders' Deficit

Common Stock

Common Stock Issued for Cash

During the six months ended June 30, 2022, the Company received $9.5 million from issuance of 13.1 million shares of common stock to various investors.

Warrants Exercised for Cash

During the six months ended June 30, 2022, the Company received $9.6 million from the exercise of warrants issued in the past with an exercise price between $0.18 and $0.70. The Company issued approximately 39.0 million shares of common stock upon these warrant exercises.

Warrants and Options Cashless Exercise

During the six months ended June 30, 2022, certain warrant holders elected to exercise some of their warrants pursuant to cashless exercise formulas. The Company issued approximately 26.8 million shares of common stock for exercise of 31.6 million warrants at an exercise price between $0.18 and $0.52.

During the six months ended June 30, 2022, certain options holders elected to exercise some of their options pursuant to cashless exercise formulas. The Company issued approximately 2.1 million shares of common stock for exercise of 3.3 million warrants at an exercise price between $0.25 and $0.34.

Stock Purchase Warrants

The following is a summary of warrant activity for the six months ended June 30, 2022 (dollars in thousands, except per share data):

	Number of Warrants	Weighted Average Exercise Price	Remaining Contractual Term
Outstanding as of January 1, 2022	**225,469**	**$ 0.30**	**0.96**
Warrants exercised for cash	(39,004)	0.25	
Cashless warrrants exercise	(31,645)	0.22	
Warrants expired and cancellation	(1,710)	1.64	
Outstanding as of June 30, 2022	**153,110**	**$ 0.31**	**1.40**

The options and warrants held by Ms. Powers and Mr. Goldman are subject to an ongoing suspension on a rolling basis pursuant to the Blocker Letter. In addition, other executive officers and directors extended their suspensions to various dates until at least August 31, 2022.

At June 30, 2022, of the 153 million total outstanding warrants listed above, approximately 142 million warrants were under block or suspension agreements.

At August 1, 2022, a total of approximately 141 million warrants were under block or suspension until between August 15, 2022 and December 15, 2022.

10. Commitments and Contingencies

Operating Lease- Lessee Arrangements

The Company has operating leases for corporate offices in the U.S. and U.K., and for manufacturing facilities in the U.K. Leases with an initial term of 12 months or less are not recorded in the balance sheet. The Company has elected the practical expedient to account for each separate lease component of a contract and its associated non-lease components as a single lease component, thus causing all fixed payments to be capitalized. The Company also elected the package of practical expedients permitted within the new standard, which among other things, allows the Company to carry forward historical lease classification. The lease renewal options have not been included in the calculation of the lease liabilities and right-of-use ("ROU") assets as the Company has not yet determined whether to exercise the options. Variable lease payment amounts that cannot be determined at the commencement of the lease such as increases in lease payments based on changes in index rates or usage, are not included in the ROU assets or liabilities. These are expensed as incurred and recorded as variable lease expense.

At June 30, 2022, the Company had operating lease liabilities of approximately $4.9 million for both the 20-year lease of the building for the manufacturing facility in Sawston, U.K., and the current office lease in the U.S. ROU assets of approximately $4.3 million for the Sawston lease and U.S. office lease are included in the condensed consolidated balance sheet.

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NORTHWEST BIOTHERAPEUTICS, INC.
NOTES TO CONDENSED CONSOLIDATED STATEMENTS

The following summarizes quantitative information about the Company’s operating leases (amount in thousands):

	For the Six Months ended June 30, 2022		
	U.K	U.S	Total
Lease cost			
Operating lease cost	$ 309	$ 130	$ 439
Short-term lease cost	34	—	34
Variable lease cost	—	12	12
Sub-lease income	(73)	—	(73)
Total	$ 270	$ 142	$ 412
Other information			
Operating cash flows from operating leases	$ (325)	$ (144)	$ (469)
Weighted-average remaining lease term – operating leases	8.7	1.5	
Weighted-average discount rate – operating leases	12 %	12 %	

	For the Six Months ended June 30, 2021		
	U.K	U.S	Total
Lease cost			
Operating lease cost	$ 330	$ 147	$ 477
Short-term lease cost	25	—	25
Variable lease cost	48	5	53
Total	$ 403	$ 152	$ 555
Other information			
Operating cash flows from operating leases	$ (347)	$ (84)	$ (431)
Weighted-average remaining lease term – operating leases	8.6	2.1	
Weighted-average discount rate – operating leases	12 %	12 %	

The Company recorded lease costs as a component of general and administrative expense during the three and six months ended June 30, 2022 and 2021, respectively.

Maturities of our operating leases, excluding short-term leases and sublease agreement, are as follows:

Six months ended December 31, 2022	$ 450
Year ended December 31, 2023	906
Year ended December 31, 2024	812
Year ended December 31, 2025	607
Year ended December 31, 2026	607
Thereafter	7,269
Total	10,651
Less present value discount	(5,748)
Operating lease liabilities included in the Condensed Consolidated Balance Sheet at June 30, 2022	$ 4,903

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Maturities of our operating leases under the sublease agreement, based on the current exchange rate, are as follows:

Six months ended December 31, 2022	$ 72
Year ended December 31, 2023	145
Year ended December 31, 2024	145
Year ended December 31, 2025	145
Year ended December 31, 2026	145
Thereafter	1,740
Total	$ 2,392

Manufacturing Services Agreements

Advent BioServices

On May 14, 2018, the Company entered into a DCVax®-L Manufacturing and Services Agreement ("MSA") with Advent BioServices, a related party which was formerly part of Cognate BioServices and was spun off separately as part of an institutional financing of Cognate. The Advent Agreement provides for manufacturing of DCVax-L products at an existing facility in London. The Agreement is structured in the same manner as the Company's prior agreements with Cognate BioServices. The Advent Agreement provided for a program initiation payment of approximately $1.0 million (which was fully paid in 2018), in connection with technology transfer and operations to the U.K. from Germany, development of new Standard Operating Procedures (SOPs) for the London facility, selection of new suppliers and auditing for GMP compliance, and other preparatory activities. The Advent Agreement provides for certain payments for achievement of milestones and, as was the case under the prior agreement with Cognate BioServices, the Company is required to pay certain fees for dedicated production capacity reserved exclusively for DCVax production and pay for manufacturing of DCVax-L products for a certain minimum number of patients, whether or not the Company fully utilizes the dedicated capacity and number of patients. Either party may terminate the MSA on twelve months' notice, to allow for transition arrangements by both parties.

On November 8, 2019, the Company and Advent entered into an Ancillary Services Agreement with an 8-month Term for U.K. Facility Development Activities and Compassionate Use Program Activities. The Ancillary Services Agreement establishes a structure under which Advent develops Statements of Work ("SOWs") for the U.K. Facility Development Activities and Compassionate Use Program Activities and delivers those SOWs to the Company for review and approval. After an SOW is approved by the Company, Advent will proceed with or continue the applicable services and will invoice the Company pursuant to the SOW. Since both the U.K. Facility Development and the Compassionate Use Program involve pioneering and uncertainties in most aspects, the invoicing under the Ancillary Services Agreement is on the basis of costs incurred plus fifteen percent. The Agreement may also cover agreement by the parties and SOWs for operational milestones and related payments. The Ancillary Services Agreement had an original term of eight months, which ended in July 2020. The Company extended the term by 12 months to July 2021 and another 12 months to July 2022, with no other changes, and recently extended it for another 12 months to July 2023.

During April 2022, the Company entered into a Statement of Work #6 (the "SOW 6") with Advent to be incorporated into the Ancillary Services Agreement. SOW 6 provides for five workstreams that are prerequisites for an application for regulatory approval of DCVax-L, for drafting of key portions of the application and for three required licenses for the Sawston facility. The SOW provides for baseline costs and for milestone incentives for successful completion of each of the workstreams, for the completion of the application and regulatory acceptance of the submission, and for regulatory approval of each of the licenses. The milestone incentives will be a combination of cash and stock, and will not be paid until they are achieved and earned, as described in *Note 8. Related Parties Transactions above.*

German Tax Matter

The German tax authorities have audited our wholly owned subsidiary, NW Bio GmbH, for 2013-2015. The NW Bio GmbH submitted substantial documentation to refute certain aspects of the assessments and the German tax authorities agreed in principle with the Company's proposed revised approach and settlement offer. A final settlement bill was received from the German Tax Authority confirming that only a portion of the original bill was owed, € 277,000 (approximately $329,000), for corporate taxes, interest, and reduced penalty for the period under audit, which the Company paid on September 2, 2021. The Company also received and paid the final settlement bill from the local authority for trade taxes for the audit period in the amount of €231,000 (approximately $272,000). On November 4, 2021, the Company received a letter from the local tax authorities asking for additional late fees of €513,000 (now approximately $535,000) on reimbursable withholding taxes that had been waived during the settlement process. On December 8, 2021, the Company appealed the assessment of additional late fees. Additionally, the Company requested that NW Bio GmbH be deregistered from the trade register, as it no longer had current operations. The deregistration was granted effective December 31, 2021. Between January 2022 and July 2022, the Company received tax bills for the corporate and trade taxes for the 2016-2020 tax years that totaled approximately €222,000 (approximately $232,000). On July 27, 2022, we were informed that the German Tax Authorities were prepared to waive € 135,000 (approximately $141,000) of the penalties. The Company is currently assessing its options and response. The Company currently has €370,000 (approximately $386,000) accrued as of June 30, 2022. Based on the Company's current operating state in Germany and the negotiations, the Company concludes based on its evaluation under ASC 740, that the resolution of these tax matters will not likely result in a net material charge to the Company.

11. Subsequent Events

Certificate of Elimination of Series A Preferred Stock and Series B Preferred Stock

On July 20, 2022, the Company filed a Certificate of Elimination with the Secretary of State of the State of Delaware with respect to the Company's Series A Preferred Stock and Series B Preferred Stock pursuant to which both series were eliminated and returned to the status of authorized and unissued preferred shares of the Company, as there are no Series A or Series B Preferred shares outstanding.

Certificate of Designation of Series C Preferred Stock

Also on July 20, 2022, the Company filed the Certificate of Designations for Series C Preferred Stock (the "Series C Certificate of Designations") with the Secretary of State of the State of Delaware, setting forth the terms of the Series C Preferred Stock. The Series C Certificate of Designations, effective as of July 20, 2022, that was created out of the authorized and unissued shares of preferred stock of the Company the Series C Preferred Stock, provides for 10,000,000 shares, par value $0.001 per share, and establishes the rights, preferences and privileges of the Series C.

Financing

During July 2022, the Company entered into various Subscription Agreements (the "Series C Subscription Agreements") with certain investors (the "Series C Investors"). Pursuant to the Series C Subscription Agreements, the Company is issuing to the Series C Investors an aggregate of 299,858 shares of the Company's Series C Convertible Preferred Stock, par value $0.001 per share (the "Series C Shares"), at a purchase price between $15.75 and $16.00 per share for gross proceeds of approximately $4.7 million. Pursuant to some of the Series C Subscription Agreements, the Company also made approximately $2.0 million partial debt repayment. The Company received approximately $2.7 million net proceeds from the July financing.

Each Series C Shares will be convertible at the option of the holder, only after the convertibility date as defined in the Series C Subscription Agreements, into a total of 25 shares of common stock, par value $0.001 per share.

Debt Redemption

In July 2022, the Company issued approximately 2.8 million shares of common stock to certain lenders in lieu of cash payments on $1.7 million outstanding debt.

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 the notes to those statements included with this report. In addition to historical information, this report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. The words "believe," "expect," "intend," "anticipate," and similar expressions are used to identify forward-looking statements, but some forward-looking statements are expressed differently. Many factors could affect our actual results, including those factors described under "Risk Factors" in our Form 10-K for the year ended December 31, 2021 and in Part II Item 1A of this report. These factors, among others, could cause results to differ materially from those presently anticipated by us. You should not place undue reliance on these forward-looking statements.

Overview

We are a biotechnology company focused on developing personalized immune therapies for cancer. We have developed a platform technology, DCVax®, which uses activated dendritic cells to mobilize a patient's own immune system to attack their cancer.

Our lead product, DCVax®-L, is designed to treat solid tumor cancers in which the tumor can be surgically removed. We have completed a 331-patient international Phase III trial of DCVax-L for Glioblastoma multiforme brain cancer (GBM). On May 10, 2022, top line data from the Phase III trial were presented in a scientific conference at the New York Academy of Sciences by one of the investigators in the trial. The presentation was made available publicly on a third party site.

The Company is now working on preparations for seeking regulatory approval of DCVax-L.

Post-COVID difficulties continue to impact supply chains and program operations for the Company as well as for other companies in this industry and others. The independent service firms have limited capacity, and still have some restrictions on operations. Key experts at certain specialized service providers have been unavailable for periods of time. Other experts have gone on extended leave. Clinical trial site personnel have been unavailable due to being reassigned for COVID, and the limited site personnel have had to work under restrictions. Committee processes and regulatory processes have been similarly focused on COVID matters and delayed on other matters. Firms such as the ones storing the Phase III trial tissue samples that are needed for certain analyses, and the firms conducting the analyses, continue to have only limited operations. Even logistical matters such as the shipping of materials have been, and continue to be, subjected to substantial difficulties and delays.

On August 28, 2020, the Company acquired Flaskworks, LLC ("Flaskworks"), a company that has developed a system designed to close and automate the manufacturing of cell therapy products such as DCVax®. The Company acquired 100% of the ownership, and Flaskworks became a wholly-owned subsidiary of the Company. Flaskworks was previously owned by its technical founders and Corning Inc. The technical team from Flaskworks joined the Company as part of the Acquisition. It is anticipated that the Flaskworks system will enable substantial scale-up of production volumes of DCVax products and substantial reduction of production costs. The Company's buildout of the Sawston, UK facility has been designed to proceed in phases, as modules, both for efficiency in the timing of capital costs and to allow flexibility in operations and usage. The Company anticipates that implementation of the Flaskworks system will enable certain phases of the buildout to be simplified and streamlined.

Our second product, DCVax®-Direct, is designed to treat inoperable solid tumors. A 40-patient Phase I trial has been completed and included treatment of a diverse range of more than a dozen types of cancers. The Company plans to work on preparations for Phase II trials of DCVax-Direct as resources permit.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect our reported amounts of assets, liabilities, revenues and expenses.

On an ongoing basis, we evaluate our estimates and judgments, including those related to derivative liabilities, accrued expenses and stock-based compensation. We based our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the reported amounts of revenues and expenses that are not readily apparent from other sources. Actual results could differ from those estimates, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing coronavirus pandemic (“COVID-19”) and the COVID-19 control responses.

Our critical accounting policies and significant estimates are detailed in our Annual Report on Form 10-K for the year ended December 31, 2021. Our critical accounting policies and significant estimates have not changed substantially from those previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021.

Results of Operations

Operating costs:

Operating costs and expenses consist primarily of research and development expenses, including clinical trial expenses, which increase when we are actively participating in clinical trials or we are undertaking substantial one-time expenses following trials, such as for statistical work under the Statistical Analysis Plan, and other activities related to completion and assessment of the trial and its results. The operating costs also include administrative expenses associated with trials, in addition to R&D expenses, and increase as such operating activities grow.

In addition to clinical trial related costs, our operating costs may include ongoing work relating to our DCVax products, including R&D, product characterization, and related matters. Going forward, we are also incurring large amounts of costs to carry out and complete statistical analyses, validation work, data reports and other work associated with analyzing the trial results and proceeding.

Following our acquisition of Flaskworks, our operating costs now include the costs for its ongoing operations and its intellectual property filings.

Our operating costs also include the costs of preparations for the launch of new or expanded clinical trial programs. The preparation costs include payments to regulatory consultants, lawyers, statisticians, sites and others, evaluation of potential investigators, the clinical trial sites and the CROs managing the trials and other service providers, and expenses related to institutional approvals, clinical trial agreements (business contracts with sites), training of medical and other site personnel, trial supplies and other. Additional substantial costs relate to the maintenance and substantial expansion of manufacturing capacity, in both the U.S. and Europe.

Our operating costs also include legal and accounting costs in operating the Company.

Research and development:

Discovery and preclinical research and development expenses include costs for substantial external scientific personnel, technical and regulatory advisers, and others, costs of laboratory supplies used in our internal research and development projects, travel, regulatory compliance, and expenditures for preclinical and clinical trial operation and management when we are actively engaged in clinical trials.

Because we are a pre-revenue company, we do not allocate research and development costs on a project basis. We adopted this policy, in part, due to the unreasonable cost burden associated with accounting at such a level of detail and our limited number of financial and personnel resources.

General and administrative:

General and administrative expenses include personnel related salary and benefit expenses, cost of facilities, insurance, travel, legal services, property and equipment and amortization of stock options and warrants.

Three Months Ended June 30, 2022 and 2021

We recognized a net loss of $29.7 million and a net income of $4.4 million for the three months ended June 30, 2022 and 2021, respectively.

Research and Development Expense

For the three months ended June 30, 2022 and 2021, research and development expense was $13.6 million and $5.5 million, respectively. The increase was mainly related to SOW 6 that was entered into in April, 2022 for five workstreams that are prerequisites for an application for regulatory approval of DCVax-L, for drafting of key portions of the application and for three required licenses for the

Sawston facility. During the three months ended June 30, 2022, the Company expensed $3.8 million for cash milestones (but only paid $0.5 million) and $5.3 million for stock-based milestones that the Company believes are probable to be achieved and hence to become payable during the contract period. The $5.3 million stock-based compensation expense, for the milestones, were offset by a decrease of $1.9 million of stock-based compensation in research and development which was related to cancellation of certain unvested performance-based awards and less amortization related to previously granted awards.

General and Administrative Expense

General and administrative expenses were $7.9 million and $7.4 million for three months ended June 30, 2022 and 2021, respectively. The increase was mainly related to an increase of approximately $1.7 million in business travel costs, conferences expenses and D&O insurance premiums, and offset by a decrease of $1.2 million stock-based compensation, which were related to the cancellation of certain unvested performance-based awards and less amortization related to previously granted awards.

Change in fair value of derivatives

During the three months ended June 30, 2022 and 2021, we recognized a non-cash loss of $4.3 million and a non-cash gain of $17.5 million, respectively. The 2022 loss was primarily due to the extension of the exercise periods of certain warrants and offset by a decrease of stock price as of June 30, 2022 compared to March 31, 2022. The 2021 gain was primarily due to the decrease of stock price as of June 30, 2021 compared to March 31, 2021.

Loss from Extinguishment of Debt

During the three months ended June 30, 2022 and 2021, we recognized $0.1 million and $0.1 million debt extinguishment loss from the redemption of certain loans, respectively. Changes are consistent compared to the same period of last year.

Interest Expense

During the three months ended and June 30, 2022 and 2021, we recognized interest expense of $1.4 million and $0.8 million, respectively. The increase was primarily due to an increase of outstanding debt as of March 31, 2022 compared to the outstanding balance as of March 31, 2021.

Foreign currency transaction loss

During the three months ended and June 30, 2022 and 2021, we recognized foreign currency transaction loss of $2.8 million and foreign currency transaction gain of $0.3 million, respectively. The loss was due to the strengthening of the U.S. dollar relative to the British pound sterling and Euro. The gain was due to the weakening of the U.S. dollar relative to the British pound sterling.

Six Months Ended June 30, 2022 and 2021

We recognized a net loss of $43.9 million and a net income of $0.3 million for the six months ended June 30, 2022 and 2021, respectively.

Research and Development Expense

For the six months ended June 30, 2022 and 2021, research and development expense was including the expense for milestones under SOW 6 with Advent that are expected to be achieved and become payable in the future) was $18.5 million and $12.4 million, respectively. We incurred an increase in related party research and development expenses of $11.2 million by Advent, of which $9.2 million comprised amounts expensed for SOW 6 milestones that are anticipated to be achieved and become payable in the future (of which the Company only paid $0.5 million during the six months ended June 30, 2022), offset by a decrease of $5.1 million stock-based compensation, which was related to the cancellation of certain unvested performance-based awards and less amortization related to previously granted awards.

We recognized and expensed approximately $14.7 million (including $9.2 million for milestones expected to be achieved and become payable in the future) and $3.5 million in expenses from related parties during the six months ended June 30, 2022 and 2021, respectively.

General and Administrative Expense

General and administrative expenses were $15.8 million and $20.3 million for six months ended June 30, 2022 and 2021, respectively. The decrease was mainly related to a decrease of $7.2 million stock-based compensation, which were related to the cancellation of certain unvested performance-based awards and less amortization related to previously granted awards, and offset by an increase of approximately $2.2 million in business travel costs, conferences expenses and D&O insurance premiums.

Change in fair value of derivatives

During the six months ended June 30, 2022 and 2021, we recognized a non-cash loss of $3.7 million and a non-cash gain of $35.1 million, respectively. The 2022 loss was primarily due to the extension of certain warrants and offset by a decrease of stock price as of June 30, 2022 compared to December 31, 2021. The 2021 gain was primarily due to the decrease of stock price as of June 30, 2021 compared to December 31, 2020.

Gain (Loss) from Extinguishment of Debt

During the six months ended June 30, 2022 and 2021, we recognized debt extinguishment gain of $0.3 million and debt extinguishment loss of $0.1 million, respectively. The gain in 2022 was related to $0.4 million gain from the forgiveness of two PPP loans and offset by a loss of $0.1 million from redemption of certain loans.

Interest Expense

During the six months ended and June 30, 2022 and 2021, we recorded interest expense of $3.3 million and $2.3 million, respectively. The increase was primarily due to an increase of outstanding debt as of December 31, 2021 compared to the outstanding balance as of December 31, 2020.

Foreign currency transaction loss

During the six months ended and June 30, 2022 and 2021, we recognized foreign currency transaction loss of $3.7 million and $0.4 million, respectively. The loss was due to the strengthening of the U.S. dollar relative to the British pound sterling and Euro, and the fluctuation was much higher this year compared to the same period of last year.

Liquidity and Capital Resources

We have experienced recurring losses from operations since inception. We have not yet established an ongoing source of revenues and must cover our operating expenses through debt and equity financings to allow us to continue as a going concern. Our ability to continue as a going concern depends on the ability to obtain adequate capital to fund operating losses until we generate adequate cash flows from operations to fund our operating costs and obligations. If we are unable to obtain adequate capital, we could be forced to cease operations.

We depend upon our ability, and will continue to attempt, to secure equity and/or debt financing. We cannot be certain that additional funding will be available on acceptable terms, or at all. Our management determined that there was substantial doubt about our ability to continue as a going concern within one year after the condensed consolidated financial statements were issued, and management's concerns about our ability to continue as a going concern within the year following this report persist.

Cash Flow

Operating Activities

During the six months ended June 30, 2022 and 2021, net cash used in operations were approximately $27.8 million and $20.0 million, respectively. The increase in cash used in operating activities was primarily attributable to an increase in clinical trial related expenditures.

Financing Activities

We received approximately $9.5 million cash from issuance of 13.1 million shares of common stock during the six months ended June 30, 2022.

We received approximately $9.6 million and $4.1 million, in cash from the exercise of warrants and options during the six months ended June 30, 2022 and 2021, respectively.

We received approximately $0.6 million from issuance of multiple loans to individual lenders during the six months ended June 30, 2022. We received approximately $10.0 million cash proceeds from a loan from a commercial lender, $1.9 million cash from loans from various third-party lenders and $0.4 million from PPP loans during six months ended June 30, 2021.

We made aggregate debt payments of $5.3 million and $0.8 million during the six months ended June 30, 2022 and 2021, respectively.

Other factors affecting our ongoing funding requirements include the number of staff we employ, the number of sites, number of patients and amount of activity in our clinical trial programs, the costs of further product and process development work relating to our DCVax products, the costs of preparations for Phase II trials, the costs of expansion of manufacturing, and unanticipated developments. The extent of resources available to us will determine which programs can move forward and at what pace.

Off-Balance Sheet Arrangements

Since our inception, we have not engaged in any off-balance sheet arrangements, as defined in the rules and regulations of the SEC.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss that may result from the change in value of financial instruments due to fluctuations in its market price. Market risk is inherent in all financial instruments. Market risk may be exacerbated in times of trading illiquidity when market participants refrain from transacting in normal quantities and/or at normal bid-offer spreads. Our exposure to market risk is directly related to derivatives, debt and equity linked instruments related to our financing activities.

Our assets and liabilities are overwhelmingly denominated in U.S. dollars. We do not use foreign currency contracts or other derivative instruments to manage changes in currency rates. We do not now, nor do we plan to, use derivative financial instruments for speculative or trading purposes. However, these circumstances might change.

The primary quantifiable market risk associated with our financial instruments is sensitivity to changes in interest rates. Interest rate risk represents the potential loss from adverse changes in market interest rates. We use an interest rate sensitivity simulation to assess our interest rate risk exposure. For purposes of presenting the possible earnings effect of a hypothetical, adverse change in interest rates over the 12-month period from our reporting date, we assume that all interest rate sensitive financial instruments will be impacted by a hypothetical, immediate 100 basis point increase in interest rates as of the beginning of the period. The sensitivity is based upon the hypothetical assumption that all relevant types of interest rates that affect our results would increase instantaneously, simultaneously and to the same degree. We do not believe that our cash and equivalents have significant risk of default or illiquidity.

The sensitivity analyses of the interest rate sensitive financial instruments are hypothetical and should be used with caution. Changes in fair value based on a 1% or 2% variation in an estimate generally cannot be extrapolated because the relationship of the change in the estimate to the change in fair value may not be linear. Also, the effect of a variation in a particular estimate on the fair value of financial instruments is calculated independent of changes in any other estimate; in practice, changes in one factor may result in changes in another factor, which might magnify or counteract the sensitivities. In addition, the sensitivity analyses do not consider any action that we may take to mitigate the impact of any adverse changes in the key estimates.

Based on our analysis, as of June 30, 2022, the effect of a 100+/- basis point change in interest rates on the value of our financial instruments and the resultant effect on our net loss are considered immaterial.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation as of June 30, 2022, of the design and operation of our disclosure controls and procedures, as such terms are defined in Exchange Act Rules 13a-15(e) and 15d-15(e). Based on this evaluation, management concluded that, as of such date, our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

No change in internal control over financial reporting occurred during the most recent quarter with respect to our operations, which materially affected, or is reasonable likely to materially affect, our internal controls over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

Derivative Lawsuits by Putative Stockholders

In February and March, three stockholders filed in the Delaware Court of Chancery three similar derivative lawsuits against the Company and certain of its directors and officers, including J. Cofer Black, Marnix L. Bosch, Alton L. Boynton, Leslie J. Goldman, Jerry Jasinowski, Navid Malik, and Linda F. Powers (the "Individual Defendants"), alleging the Individual Defendants (i) breached their fiduciary duties, and (ii) were unjustly enriched by director and officer compensation awarded to the Individual Defendants—notwithstanding the fact that approximately 90% of shareholders voted to approve of the Company's executive compensation (the same compensation that these three stockholders are seeking to challenge) through its Say on Pay vote, and the director awards are subject to shareholder approval. On March 31, 2022, the Delaware Court of Chancery consolidated these actions into a single action under the caption In re Northwest Biotherapeutics, Inc. Stockholder Litigation (the "Derivative Action").

The Company believes these cases are baseless, and intends to vigorously contest the Derivative Action.

Item 1A. Risk Factors

Applicable risk factors are set forth in the Company's report on Form 10-K for 2021.

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

None.

Item 3. Defaults Upon Senior Securities

Not Applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not Applicable

Item 6. Exhibits

31.1	Certification of President (Principal Executive Officer and Principal Financial and Accounting Officer), Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of President, Chief Executive Officer and Principal Financial and Accounting Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Schema Document.
101.CAL	Inline XBRL Calculation Linkbase Document.
101.DEF	Inline XBRL Definition Linkbase Document.
101.LAB	Inline XBRL Label Linkbase Document.
101.PRE	Inline XBRL Presentation Linkbase Document.

104	The cover page from the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2022, formatted in Inline XBRL (included as Exhibit 101).

* Filed herewith

** Furnished herewith

SIGNATURES

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

NORTHWEST BIOTHERAPEUTICS, INC

Dated: August 9, 2022

By: /s/ Linda F. Powers

Name: Linda F. Powers

Title: President and Chief Executive Officer

Principal Executive Officer

Principal Financial and Accounting Officer