# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-Q

**(Mark One)**

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

**For the quarterly period ended June 30, 2023**

**OR**

**☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO**

**Commission File Number 001-37695**

# KINETA, INC.

**(Exact name of Registrant as specified in its Charter)**

| **Delaware** | **20-8436652** |
|---|---|
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |
| **219 Terry Ave. N., Suite 300** | |
| **Seattle, WA** | **98109** |
| **(Address of principal executive offices)** | **(Zip Code)** |

**Registrant's telephone number, including area code: (206) 378-0400**

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

| **Title of each class** | **Trading Symbol(s)** | **Name of each exchange on which registered** |
|---|---|---|
| Common Stock, par value $0.001 per share | KA | The Nasdaq Capital Market |

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 x 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 x No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☐ |
| Non-accelerated filer | x | Smaller reporting company | x |
| Emerging growth company | ☐ | | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The number of shares of Registrant's Common Stock outstanding as of August 9, 2023 was 9,769,097.

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## EXPLANATORY NOTE

On December 16, 2022, Yumanity Therapeutics, Inc. ("Yumanity") completed its previously announced merger transaction with Kineta Operating, Inc. (formerly Kineta, Inc.) ("Private Kineta") in accordance with the terms of the Agreement and Plan of Merger, dated as of June 5, 2022, as amended on December 5, 2022 (the "Merger Agreement"), by and among Yumanity, Private Kineta and Yacht Merger Sub, Inc., a wholly-owned subsidiary of Yumanity ("Merger Sub"), pursuant to which Merger Sub merged with and into Private Kineta, with Private Kineta surviving such merger as a wholly-owned subsidiary of Yumanity (the "Merger"). The surviving corporation from the Merger subsequently merged with and into Kineta Operating, LLC, with Kineta Operating, LLC being the surviving corporation. On December 16, 2022, in connection with, and prior to the completion of, the Merger, Yumanity effected a 1-for-7 reverse stock split of its common stock. Immediately following the Merger, Yumanity changed its name to "Kineta, Inc."

Unless the context otherwise requires, references to the "Company," "Kineta," the "combined organization," "we," "our" or "us" in this Quarterly Report on Form 10-Q refer to Private Kineta and its subsidiaries prior to completion of the Merger and to Kineta, Inc. and its subsidiaries after completion of the Merger. In addition, references to "Yumanity" refer to the registrant prior to the completion of the Merger.

The Merger has been accounted for as a reverse merger and asset acquisition in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). Under this method of accounting, Private Kineta was deemed to be the accounting acquirer for financial reporting purposes. Following the Merger, the business conducted by Private Kineta became the Company's primary business.

Except as otherwise noted, references to "common stock" in this report refer to common stock, $0.001 par value per share, of the Company.

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains certain statements that constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995. In some cases, you can identify these forward-looking statements by the use of terms such as "expect," "will," "continue," "believe," "estimate," "aim," "project," "intend," "should," "is to be," or similar expressions, and variations or negatives of these words, but the absence of these words does not mean that a statement is not forward-looking. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance, or achievements to differ materially from results expressed or implied in this Quarterly Report on Form 10-Q. The following factors, among others, could cause actual results to differ materially from those described in these forward-looking statements:

- the timing, progress and results of preclinical studies and clinical trials for our programs and product candidates, including statements regarding the timing of initiation and completion of studies or trials and related preparatory work, the period during which the results of the trials will become available and our research and development programs;
- our ability to recruit and enroll suitable patients in our clinical trials;
- the potential attributes and benefits of our product candidates;
- our ability to develop and advance product candidates into, and successfully complete, clinical studies;
- the timing, scope or likelihood of regulatory filings and approvals;
- our ability to obtain and maintain regulatory approval for our product candidates, and any related restrictions, limitations or warnings in the label of an approved product candidate;
- the implementation of our business model and our strategic plans for our business, product candidates, technology and our discovery engine;
- our commercialization, marketing and manufacturing capabilities and strategy;
- the pricing and reimbursement of our product candidates, if approved;
- the rate and degree of market acceptance of our product candidates, if approved;
- our ability to establish or maintain collaborations or strategic relationships or obtain additional funding;
- our ability to contract with and rely on third parties to assist in conducting our clinical trials and manufacturing our product candidates;
- the size and growth potential of the markets for our product candidates, and our ability to serve those markets, either alone or in partnership with others;
- our ability to obtain funding for our operations, including funding necessary to complete further development, approval and, if approved, commercialization of our product candidates;

- the period over which we anticipate our existing cash and cash equivalents will be sufficient to fund our operating expenses and capital expenditure requirements;
- the potential for our business development efforts to maximize the potential value of our portfolio;
- our ability to compete with other companies currently marketing or engaged in the development of treatments for the indications that we are pursuing for our product candidates;
- our expectations regarding our ability to obtain and maintain intellectual property protection for our product candidates;
- our financial performance;
- our ability to retain the continued service of our key professionals and to identify, hire and retain additional qualified professionals;
- any statements of the plans, strategies and objectives of management for future operations, including the execution of integration plans and the anticipated timing of filings;
- our expectations related to the use of our cash reserves;
- our estimates regarding expenses, future revenue, capital requirements and needs for additional financing;
- our ability to remediate the material weaknesses in our internal control over financial reporting;
- the impact of laws and regulations, including without limitation recently enacted tax reform legislation;
- the impact of global economic and political developments on our business, including rising inflation and capital market disruptions, the current conflict in Ukraine, economic sanctions and economic slowdowns or recessions that may result from such developments, which could harm our research and development efforts as well as the value of our common stock and our ability to access capital markets;
- the effect of COVID-19 on the foregoing; and
- other risks and uncertainties, including those listed under the caption "Risk Factors" in Part II, Item 1A.

The forward-looking statements contained in this Quarterly Report on Form 10-Q and the documents incorporated herein by reference are based on our current expectations and beliefs concerning future developments and their potential effects on our business. There can be no assurance that future developments affecting our business will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to, those factors described under the caption "Risk Factors" in Part II, Item 1A of this Quarterly Report on Form 10-Q and under similar headings in the documents that are incorporated by reference herein. Moreover, we operate in a very competitive and rapidly changing environment.

New risks and uncertainties emerge from time to time and it is not possible for us to predict all such risk factors, nor can we assess the effect of all such risk factors on our business or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statements. Should one or more of these risks or uncertainties materialize, or should any of the assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements.

The forward-looking statements made by us in this Quarterly Report on Form 10-Q and the documents incorporated herein by reference speak only as of the date of such statement. Except to the extent required under the federal securities laws and rules and regulations of the U.S. Securities and Exchange Commission (the "SEC"), we disclaim any obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. In light of these risks and uncertainties, there is no assurance that the events or results suggested by the forward-looking statements will in fact occur, and you should not place undue reliance on these forward-looking statements.

Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law, you are advised to consult any additional disclosures we make in the documents that we file with the SEC.

## PART I—FINANCIAL INFORMATION

**Item 1. Financial Statements.**

**KINETA, INC.**

**Condensed Consolidated Balance Sheets**
**(in thousands)**
**(Unaudited)**

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash | $ 7,770 | $ 13,143 |
| License receivable | 5,000 | — |
| Prepaid expenses and other current assets | 251 | 457 |
| Total current assets | 13,021 | 13,600 |
| Property and equipment, net | 34 | 249 |
| Operating right-of-use asset | 852 | 1,211 |
| Rights from Private Placement | 3,471 | 2,250 |
| Restricted cash | 125 | 125 |
| Total assets | $ 17,503 | $ 17,435 |
| **Liabilities and Stockholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 6,106 | $ 6,635 |
| Accrued expenses and other current liabilities | 1,942 | 3,527 |
| Deferred revenue | — | 442 |
| Notes payable, current portion | 379 | — |
| Operating lease liability, current portion | 900 | 843 |
| Finance lease liabilities, current portion | 42 | 40 |
| Total current liabilities | 9,369 | 11,487 |
| Notes payable, net of current portion | 382 | 748 |
| Operating lease liability, net of current portion | 81 | 547 |
| Finance lease liabilities, net of current portion | 62 | 83 |
| Total liabilities | 9,894 | 12,865 |
| Commitments and contingencies (Note 6) | | |
| **Stockholders' equity:** | | |
| Common stock, $0.001 par value; 125,000 shares authorized as of June 30, 2023 and December 31, 2022; 9,732 and 8,318 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively | 10 | 8 |
| Additional paid-in capital | 165,248 | 156,106 |
| Accumulated deficit | (157,755) | (151,690) |
| Total stockholders' equity attributable to Kineta, Inc. | 7,503 | 4,424 |
| Noncontrolling interest | 106 | 146 |
| Total stockholders' equity | 7,609 | 4,570 |
| Total liabilities and stockholders' equity | $ 17,503 | $ 17,435 |

*See the accompanying notes to the unaudited condensed consolidated financial statements.*

**KINETA, INC.**

**Condensed Consolidated Statements of Operations**
**(in thousands, except per share amounts)**
**(Unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Revenues: | | | | |
| Collaboration revenues | $ 161 | $ — | $ 442 | $ — |
| Licensing revenues | 5,000 | 609 | 5,000 | 967 |
| Grant revenues | — | 224 | — | 299 |
| Total revenues | 5,161 | 833 | 5,442 | 1,266 |
| Operating expenses: | | | | |
| Research and development | 2,710 | 3,879 | 5,553 | 7,902 |
| General and administrative | 3,431 | 1,825 | 7,355 | 3,434 |
| Total operating expenses | 6,141 | 5,704 | 12,908 | 11,336 |
| Loss from operations | (980) | (4,871) | (7,466) | (10,070) |
| Other (expense) income: | | | | |
| Interest expense (with related parties $0 for the three and six months ended June 30, 2023 and $438 and $926 for the three and six months ended June 30, 2022, respectively) | (21) | (556) | (44) | (1,140) |
| Change in fair value of rights from Private Placement | 1,221 | — | 1,221 | — |
| Change in fair value measurement of notes payable | (7) | (266) | (13) | (124) |
| (Loss) gain on extinguishments of debt, net | — | (174) | — | 495 |
| Other (expense) income, net | 162 | (11) | 197 | (14) |
| Total other (expense) income, net | 1,355 | (1,007) | 1,361 | (783) |
| Net income (loss) | $ 375 | $ (5,878) | $ (6,105) | $ (10,853) |
| Net (loss) income attributable to noncontrolling interest | (11) | — | (40) | 1 |
| Net income (loss) attributable to Kineta, Inc. | $ 386 | $ (5,878) | $ (6,065) | $ (10,854) |
| Net income (loss) per share, basic and diluted | $ 0.04 | $ (1.23) | $ (0.65) | $ (2.28) |
| Weighted-average shares outstanding, basic and diluted | 9,939 | 4,795 | 9,339 | 4,766 |

*See the accompanying notes to the unaudited condensed consolidated financial statements.*

**KINETA, INC.**

**Condensed Consolidated Statements of Stockholders' Equity (Deficit)**
**(in thousands)**
**(Unaudited)**

| | Common Stock | | Additional Paid-In Capital | Accumulated | Total Stockholders' Deficit Attributable | Noncontrolling | Total Stockholders' |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | Amount | Deficit | to Kineta | Interest | Deficit |
| **Balance as of January 1, 2022** | **4,656** | **$ 5** | **$ 76,137** | **$ (88,282)** | **$ (12,140)** | **$ 191** | **$ (11,949)** |
| Issuance of common stock | 3 | — | 98 | — | 98 | — | 98 |
| Issuance of common stock upon extinguishment of notes payable and accrued interest | 9 | — | 235 | — | 235 | — | 235 |
| Issuance of common stock upon exercise of warrants | 1 | — | — | — | — | — | — |
| Stock-based compensation | — | — | 285 | — | 285 | — | 285 |
| Net loss | — | — | — | (4,976) | (4,976) | 1 | (4,975) |
| **Balance as of March 31, 2022** | **4,669** | **$ 5** | **$ 76,755** | **$ (93,258)** | **$ (16,498)** | **$ 192** | **$ (16,306)** |
| Issuance of common stock | 33 | — | 905 | — | 905 | — | 905 |
| Issuance of common stock upon extinguishment of notes payable and accrued interest | 46 | — | 1,064 | — | 1,064 | — | 1,064 |
| Note conversion discount | — | — | 174 | — | 174 | — | 174 |
| Issuance of common stock upon exercise of warrants | 44 | — | 7 | — | 7 | — | 7 |
| Stock-based compensation | — | — | 755 | — | 755 | — | 755 |
| Net loss | — | — | — | (5,878) | (5,878) | — | (5,878) |
| **Balance as of June 30, 2022** | **4,792** | **$ 5** | **$ 79,660** | **$ (99,136)** | **$ (19,471)** | **$ 192** | **$ (19,279)** |

| | Common Stock | | Additional Paid-In Capital | Accumulated | Total Shareholders' Equity (Deficit) Attributable | Noncontrolling | Total Shareholders' |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | Amount | Deficit | to Kineta | Interest | Equity (Deficit) |
| **Balance as of January 1, 2023** | **8,318** | **$ 8** | **$ 156,106** | **$ (151,690)** | **$ 4,424** | **$ 146** | **$ 4,570** |
| Issuance of common stock | 127 | 1 | 751 | — | 752 | — | 752 |
| Issuance of common stock upon exercise of warrants | 51 | — | 7 | — | 7 | — | 7 |
| Issuance of common stock upon vesting of RSUs | 23 | — | — | — | — | — | — |
| Issuance of common stock for services | 12 | — | 41 | — | 41 | — | 41 |
| Stock-based compensation | — | — | 1,054 | — | 1,054 | — | 1,054 |
| Net loss | — | — | — | (6,451) | (6,451) | (29) | (6,480) |
| **Balance as of March 31, 2023** | **8,531** | **$ 9** | **$ 157,959** | **$ (158,141)** | **$ (173)** | **$ 117** | **$ (56)** |
| Issuance of common stock | 948 | 1 | 5,478 | — | 5,479 | — | 5,479 |
| Issuance of common stock upon exercise of warrants | 144 | — | 10 | — | 10 | — | 10 |
| Issuance of common stock upon vesting of RSUs | 109 | — | (69) | — | (69) | — | (69) |
| Stock-based compensation | — | — | 1,870 | — | 1,870 | — | 1,870 |
| Net income (loss) | — | — | — | 386 | 386 | (11) | 375 |
| **Balance as of June 30, 2023** | **9,732** | **$ 10** | **$ 165,248** | **$ (157,755)** | **$ 7,503** | **$ 106** | **$ 7,609** |

*See the accompanying notes to the unaudited condensed consolidated financial statements.*

**KINETA, INC.**

**Condensed Consolidated Statements of Cash Flows**
**(in thousands)**
**(Unaudited)**

| | Six Months Ended June 30, | |
|---|---|---|
| | **2023** | **2022** |
| **Operating activities:** | | |
| Net loss | $ (6,105) | $ (10,853) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Change in fair value of rights from Private Placement | (1,221) | — |
| Change in fair value of notes payable | 13 | 124 |
| Non-cash stock-based compensation | 2,924 | 1,040 |
| Non-cash operating lease expense | 359 | 321 |
| Depreciation and amortization | 4 | 34 |
| Common stock issued for services | 41 | — |
| Gain on extinguishments of debt, net | — | (495) |
| Gain on disposal of asset | (92) | — |
| Changes in operating assets and liabilities: | | |
| License receivable | (5,000) | — |
| Prepaid expenses and other current assets | 206 | (1,051) |
| Accounts payable | (529) | 3,391 |
| Accrued expenses and other current liabilities | (1,654) | 361 |
| Operating lease liability | (409) | (357) |
| Deferred revenue | (442) | (967) |
| Net cash used in operating activities | (11,905) | (8,452) |
| **Investing activities:** | | |
| Purchases of property and equipment | — | (15) |
| Proceeds from sale of property and equipment | 303 | — |
| Net cash provided by (used in) investing activities | 303 | (15) |
| **Financing activities:** | | |
| Proceeds from private placement | 5,479 | — |
| Proceeds from notes payable | — | 4,800 |
| Proceeds from issuance of common stock | 752 | 1,003 |
| Proceeds from exercise of warrants | 17 | 7 |
| Repayments of notes payable | — | (4,000) |
| Repayments of finance lease liabilities | (19) | (19) |
| Net cash provided by financing activities | 6,229 | 1,791 |
| Net change in cash and restricted cash | (5,373) | (6,676) |
| Cash and restricted cash at beginning of year | 13,268 | 11,219 |
| Cash and restricted cash at end of year | $ 7,895 | $ 4,543 |
| **Components of cash and restricted cash:** | | |
| Cash | $ 7,770 | $ 4,468 |
| Restricted cash | 125 | 75 |
| Total cash and restricted cash | $ 7,895 | $ 4,543 |
| **Supplemental disclosure of cash flow information:** | | |
| Cash paid for interest | $ 25 | $ 804 |
| **Supplemental disclosure of noncash investing and financing activities:** | | |
| Issuance of common stock upon extinguishment of notes payable and accrued interest | $ — | $ 1,473 |
| Liabilities arising from shares withheld to cover from RSU vesting | $ 69 | $ — |
| Finance lease liabilities arising from obtaining new right-of-use assets | $ — | $ 41 |

*See the accompanying notes to the unaudited condensed consolidated financial statements.*

## 1.Organization and Liquidity

### Description of Business

Kineta, Inc. (formerly Yumanity Therapeutics, Inc.) (together with its subsidiaries, the "Company") is headquartered in Seattle, Washington.

The Company is a clinical-stage biotechnology company focused on developing new innovative therapies in the field of immuno-oncology and cancer. The Company also has drug programs in neurology (chronic pain) and an antiviral drug program in development for arenaviruses such as Lassa fever. Kineta Chronic Pain, LLC ("KCP") was formed to develop new innovative therapies for pain management. Kineta Viral Hemorrhagic Fever, LLC ("KVHF") was formed to develop a direct acting anti-viral therapy for the treatment of emerging diseases.

As of June 30, 2023 and December 31, 2022, the Company owns a majority interest of the outstanding issued equity of KCP and all of the outstanding issued equity of KVHF.

### Private Placement

In connection and concurrently with the execution of the Merger Agreement, on June 5, 2022, the Company entered into a financing agreement, as amended on October 24, 2022, December 5, 2022, March 29, 2023, May 1, 2023 and July 21, 2023 (such financing agreement, as amended, the "Securities Purchase Agreement"), to sell shares of the Company's common stock in a private placement (the "Private Placement"). The first closing of the Private Placement occurred on December 16, 2022, and the Company issued 649,346 shares of its common stock and received net proceeds of $7.4 million. The second closing of the Private Placement for an aggregate purchase price of $22.5 million is expected to occur on October 31, 2023. The Company has the ability to unilaterally terminate the Securities Purchase Agreement until the date of the second closing.

### Liquidity

The Company has incurred recurring net losses and negative cash flows from operations since inception and, as of June 30, 2023, had an accumulated deficit of $157.8 million. The net income attributable to the Company was $0.4 million for the three months ended June 30, 2023 and the net loss attributable to the Company was $6.1 million for the six months ended June 30, 2023. As of June 30, 2023, the Company had unrestricted cash of $7.8 million. The Company's cash as of June 30, 2023, together with the $5.0 million milestone payment received from Merck (known as MSD outside the United States and Canada) in July 2023 and the committed proceeds of $22.5 million pursuant to the second closing of the Private Placement, will be sufficient to fund operating expenses and capital expenditure requirements into early 2025.

The Company will need to raise additional capital to support its long-term plans and to complete clinical trials. The Company intends to raise additional debt and equity financings from its current investors as well as prospective investors and may receive milestone payments from its license agreements, or other sources. However, there is no guarantee that any of these additional financings or opportunities will be executed or realized on acceptable terms, if at all. The Company's ability to raise additional capital through either the issuance of equity or debt is dependent on a number of factors including, but not limited to, Company prospects, which itself is subject to a number of development and business risks and uncertainties, as well as uncertainty about whether the Company would be able to raise such additional capital at a price or on terms that are acceptable.

### *Geopolitical Developments*

Geopolitical developments, such as the Russian invasion of Ukraine or deterioration in the bilateral relationship between the United States and China, may impact government spending, international trade and market stability, and cause weaker macro-economic conditions. The impact of these developments, including any resulting sanctions, export controls or other restrictive actions that may be imposed against governmental or other entities in, for example, Russia, have in the past contributed and may in the future contribute to disruption, instability and volatility in the global markets, which in turn could adversely impact the Company's operations and weaken the Company's financial results. Certain political developments may also lead to uncertainty to regulations and rules that may materially affect the Company's business.

## 2.Summary of Significant Accounting Policies

### Unaudited Interim Financial Information

The unaudited condensed consolidated balance sheet as of December 31, 2022 was derived from the Company's audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America ("U.S. GAAP"). The accompanying unaudited condensed consolidated financial statements, as of June 30, 2023 and for the three and six months ended June 30, 2023, are unaudited and have been prepared by the Company pursuant to the rules and regulations of the SEC for interim financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or

omitted pursuant to such rules and regulations. The Company believes that the disclosures are adequate to make the information presented not misleading. There have been no changes to the Company's significant accounting policies described in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 31, 2023 (the "2022 Annual Report on Form 10-K"). These unaudited condensed financial statements should be read in conjunction with the Company's audited financial statements and the notes thereto for the year ended December 31, 2022 included in the 2022 Annual Report on Form 10-K. In the opinion of management, all adjustments, consisting only of normal recurring adjustments necessary for a fair statement of the Company's condensed consolidated financial position as of June 30, 2023 and condensed consolidated results of operations and cash flows for the three and six months ended June 30, 2023 and 2022 have been made. The results of operations for the three and six months ended June 30, 2023 are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2023.

**Basis of Presentation and Consolidation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP and applicable SEC rules. The condensed consolidated financial statements include all accounts of the Company, its majority owned subsidiary KCP, and its wholly owned subsidiary, KVHF. All intercompany transactions and balances have been eliminated upon consolidation.

Noncontrolling interest in the accompanying condensed consolidated financial statements represents the proportionate share of equity which is not held by the Company. Net income (loss) of the non-wholly owned consolidated subsidiary is allocated to the Company and the holder(s) of the noncontrolling interests in proportion to their percentage ownership considering any preferences specific to the form of equity of the subsidiaries.

**Revenue Recognition**

***Collaboration Revenues***

In connection with the Merger, the Company became the successor in interest to an exclusive license and research collaboration agreement (the "Merck Neuromuscular License Agreement") with Merck to support research, development and commercialization of products for treatment of neuromuscular diseases, including amyotrophic lateral sclerosis. The Company recognizes revenue using the cost-to-cost method, which it believes best depicts the transfer of control to the customer. Under the cost-to-cost method, the extent of progress towards completion is measured based on the ratio of actual costs incurred to the total estimated costs expected upon satisfying the identified performance obligation. Under this method, revenue is recognized as a percentage of actual cost incurred to the estimated costs to complete. The Company recognized collaboration revenues of $161,000 for the three months ended June 30, 2023 and $442,000 for the six months ended June 30, 2023. As of June 30, 2023, the Company completed its project services and had zero in deferred revenue under the Merck Neuromuscular License Agreement.

***License Revenues***

In June 2023, the Company achieved a development milestone pursuant to the Merck Neuromuscular License Agreement, which triggered a $5.0 million payment. Revenue from such milestones is recognized when the accomplishment of the milestone is deemed probable. Merck will continue to advance the research program for the ALS pipeline, one of the two pipeline programs licensed under the Merck Neuromuscular License Agreement. Following this milestone, Merck will assume sole responsibility for all future development and commercialization for the ALS program. As a result, the Company is eligible to receive up to an additional $255.0 million in development milestones, sales milestones and royalties on net sales. The Company recognized licensing revenues of $5.0 million for the three months ended June 30, 2023 under the Merck Neuromuscular License Agreement and has no further obligations under the Merck Neuromuscular License Agreement.

***Net income (loss) per share***

Basic net income (loss) per common share is computed by dividing the net income (loss) by the weighted average number of shares of common stock outstanding for the period. Diluted net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period, including potential dilutive common shares assuming the dilutive effect of outstanding common share equivalents. For periods in which the Company reported a net loss, diluted net loss per common share is the same as basic net loss per common share, since dilutive common shares are not assumed to have been issued if their effect is anti-dilutive. For the three months ended June 30, 2023, the diluted net income per common share was the same as basic net income per common share, as all potentially dilutive common share equivalents were determined to be anti-dilutive, using the treasury stock method.

**3.Fair Value Measurements**

The carrying amounts of the Company's financial instruments, including cash, restricted cash, and accounts payable, approximate fair value due to the short-term nature of those instruments.

**Rights from Private Placement**

The Company determined that the rights from Private Placement is a derivative asset, which requires the asset to be accounted for at fair value. The fair value was determined using a Monte Carlo simulation based on the contractual funding date of July 25, 2023, minimum purchase price of $3.18 and historical stock prices. The significant unobservable inputs used in the fair value measurement as of June 30, 2023 were as follows: volatility of 73%, risk-free interest rate of 5.11% and funding probability of 75%, which resulted in a change in fair value of $1.2 million for the three months ended June 30, 2023, which is recorded in other income (expense) in the Statement of Operations. The fair value measurement as of June 30, 2023 was approximately $3.5 million.

The following table provides a summary of the changes in the fair value of the rights from Private Placement measured using Level 3 inputs:

| | Six Months Ended June 30, | |
|---|---|---|
| | 2023 | 2022 |
| | (in thousands) | |
| Balance at beginning of period | $ 2,250 | $ — |
| Change in fair value of rights from Private Placement | 1,221 | — |
| Balance at end of period | $ 3,471 | $ — |

**2022 & 2020 Notes Payable**

The Company elected the fair value option to account for certain convertible notes payable and notes payable, referred to as the 2022 convertible notes, 2020 convertible notes and 2020 notes (see Note 5), respectively, and collectively the 2022 & 2020 notes payable. The 2020 convertible notes and 2020 notes are referred to as the 2020 notes payable. Upon the closing of the Merger in December 2022, the 2022 convertible notes and 2020 convertible notes were settled with shares of the Company's common stock (see Note 5).

***2020 Notes***

The 2020 notes were valued using a discounted cash flow model based on the contractual payment dates, a discount rate and the contractual maturity date. The significant unobservable inputs used in the fair value measurement of the 2020 note for the three months ended June 30, 2023 were as follows: discount rate of 14.0% and contractual payment date of 1.0 year, which resulted in a fair value for the 2020 note of $232,000.

The significant unobservable inputs used in the fair value measurement of the 2020 notes for the three months ended June 30, 2022 were as follows: discount rate of 18.0% and contractual payment dates ranging from 0.3 to 0.9 years, which resulted in a fair value for the 2020 notes of $1.5 million.

***2020 Convertible Notes***

The 2020 convertible notes were valued using a scenario-based analysis and a discounted cash flow model. Two primary scenarios were considered: the qualified financing scenario and the repayment scenario. The value of the 2020 convertible notes under each scenario was probability weighted to arrive at the estimated fair value for the notes. The qualified financing scenario considers the value impact of conversion at the stated discount to the
issue price if the Company completes a qualifying financing event before the maturity date. The repayment scenario considers payment of principal at the contractual maturity dates.

There were no 2020 convertible notes as of June 30, 2023 as they were converted upon the closing of the Merger. The significant unobservable inputs used in the fair value measurement of the 2020 convertible notes for the three months ended June 30, 2022 were as follows: discount rate of 18.3% and contractual payment dates ranging from of 0.3 to 0.8 years, which resulted in a fair value for the 2020 convertible notes ranging from $0.9 million to $5.8 million.

***2022 Convertible Notes***

The 2022 convertible notes were valued using a scenario-based analysis and a discounted cash flow model. Two primary scenarios were considered: the qualified financing scenario and the automatic conversion scenario. The value of the 2022 convertible notes under each scenario was probability weighted to arrive at the estimated fair value for the notes. The qualified financing scenario considers the value impact of conversion at the stated discount to the issue price if the Company completes a qualifying financing event before the maturity date. The automatic conversion scenario estimates the timing of such conversion.

There were no 2022 convertible notes as of June 30, 2023 as they were converted upon the closing of the Merger. The significant unobservable inputs used in the fair value measurement of the 2022 convertible notes for the three months ended June 30, 2022 were as follows: discount rate of 18.0% and contractual payment dates of 0.6 years, which resulted in a fair value of the 2022 convertible notes of $2.6 million.

The following table provides a summary of the changes in the fair value of the Company's 2022 & 2020 notes payable measured using Level 3 inputs:

| | Six Months Ended June 30, | |
|---|---|---|
| | 2023 | 2022 |
| | (in thousands) | |
| Balance at beginning of period | $ 748 | $ 17,830 |
| Issuance of 2022 convertible notes | — | 4,800 |
| Change in fair value of 2022 & 2020 notes payable | 13 | 124 |
| Change in fair value of debt extinguishment | — | (669) |
| Partial settlement of 2020 notes payable | — | (4,000) |
| Balance at end of period | $ 761 | $ 18,085 |

**4.Balance Sheet Components**

**Property and Equipment, Net**

Property and equipment, net consisted of the following:

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| | (in thousands) | |
| Laboratory equipment | $ 29 | $ 779 |
| Computer and software | 67 | 73 |
| Leasehold improvements | 14 | 14 |
| Total property and equipment | 110 | 866 |
| Less: Accumulated depreciation and amortization | 76 | 617 |
| Total property and equipment, net | $ 34 | $ 249 |

Depreciation and amortization expense was $2,000 for the three months ended June 30, 2023 and $4,000 for the six months ended June 30, 2023. Depreciation and amortization expense was $18,000 for the three months ended June 30, 2022 and $34,000 for the six months ended June 30, 2022. The Company has acquired certain laboratory equipment under agreements that are classified as finance leases. The carrying value of the equipment under finance leases included in the balance sheet as property and equipment was zero as of June 30, 2023 and $0.1 million as of December 31, 2022, net of accumulated depreciation. During the three months ended June 30, 2023, the Company disposed of assets with a net carrying value of $36,000 and received proceeds of $17,000. During the six months ended June 30, 2023, the Company disposed of assets with a net carrying value of $211,000 and received proceeds of $303,000.The Company recorded a gain on disposal of fixed assets, which is recorded in other income (expense) in the Statement of Operations.

**Rights from Private Placement**

In connection and concurrently with the execution of the Merger Agreement, on June 5, 2022, the Company entered into a financing agreement, as amended on October 24, 2022, December 5, 2022, March 29, 2023, May 1, 2023 and July 21, 2023, to sell shares of the Company's common stock in the Private Placement. The first closing of the Private Placement occurred on December 16, 2022, and the Company issued 649,346 shares of its common stock and received net proceeds of $7.4 million. The second closing of the Private Placement for an aggregate purchase price of $22.5 million is expected to occur on October 31, 2023. With respect to the second closing, the Company is obligated to sell and issue a number of shares of its common stock and the investors are obligated to buy such shares by the specified date and price equal to the volume-weighted average price of Company common stock for the five trading days prior to October 31, 2023 ("VWAP") plus 10% of the VWAP; *provided, however,* that the share purchase price shall be at least equal to the closing price of the Company's common stock on March 29, 2023. The Company has recorded a $3.5 million rights from Private Placement asset as of June 30, 2023 for the future right associated with the second closing.

**Accrued Expenses and Other Current Liabilities**

Accrued expenses and other current liabilities consisted of the following as of the periods presented:

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| | (in thousands) | |
| Compensation and benefits | $ 807 | $ 745 |
| Professional services | 212 | 2,176 |
| Accrued interest | 150 | 132 |
| Accrued clinical trial and preclinical costs | 647 | 404 |
| Other | 126 | 70 |
| Total accrued expenses and other current liabilities | $ 1,942 | $ 3,527 |

**5.Notes Payable**

Notes payable outstanding consisted of the following as of the periods presented:

| | June 30, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| | Principal | Fair Value | Principal | Fair Value |
| | (in thousands) | | | |
| Notes payable: | | | | |
| 2020 notes | $ 250 | $ 232 | $ 250 | $ 219 |
| Other notes payable | 379 | 379 | 379 | 379 |
| Small Business Administration loan | 150 | 150 | 150 | 150 |
| Total notes payable | $ 779 | 761 | $ 779 | 748 |
| Less: current portion | | 379 | | — |
| Notes payable, net of current portion | | $ 382 | | $ 748 |

The Company elected the fair value option for the 2020 notes (see Note 3). The other notes payable and Small Business Administration loan approximate their fair value because interest rates are at prevailing market rates.

Expected future minimum principal payments under the Company's notes payables as of June 30, 2023 were as follows:

| | Total |
|---|---|
| | (in thousands) |
| **Years** | |
| Remainder of 2023 | $ — |
| 2024 | 629 |
| 2025 | 0 |
| 2026 | 0 |
| 2027 | 2 |
| Thereafter | 148 |
| Total notes payable | $ 779 |
| Less: current portion | 379 |
| Notes payable, net of current portion | $ 400 |

**2020 Notes**

In October 2020, the Company refinanced certain notes payable (the "2020 notes"), with an aggregate principal amount of $3.0 million with various investors, including one investor that is a related party (see Note 14). The interest rate was reduced on the 2020 notes from 16.0% to 6.0% from October 2020 until the earlier of (i) the Company raises at least $25.0 million in a single transaction or series of transactions after October 2020 and (ii) the original maturity dates (that is, various dates in the first quarter of 2022), after which the interest rate increases to 16.0%. The outstanding principal is due upon demand of the majority of the lenders with respect to (i) 50% on or after nine months after the original maturity date (or on or after various dates in the fourth quarter of 2022) and (ii) 50% on or after fifteen months after the original maturity date (or on or after various dates in the second quarter of 2023). The Company may repay the 2020 notes at any time without penalty. Upon bankruptcy the lender can accelerate all amounts due immediately.

In August 2022, the Company settled $1.4 million in outstanding principal and accrued interest by issuing 59,000 shares of the Company's non-voting common stock at a 15% discount. The Company extended the maturity date for the remaining 2020 note with a principal balance of $250,000 to July 31, 2024 and reduced the interest rate to 6%, which was accounted for as a modification.

**Other Notes Payable**

The Company issued several other notes payable in 2019 and early 2020 at a 12.0% interest rate per annum, with the principal amounts due in full at maturity and interest due monthly or quarterly. The other notes payable were due to mature at various dates between December 2020 through early 2022.

The other notes payable were amended in October 2020 to increase the interest rate to 13.0% and extend the maturity date to be on demand by a majority of the holders on or after April 7, 2022, which resulted in a modification of the other notes payable. The Company may prepay the other notes payable at any time without penalty. In April 2022, the Company extended the maturity date for the remaining other notes payable with a principal balance of $379,000 to June 30, 2024 and decreased the interest rate to 6.0% interest, which was accounted for as a modification.

**Small Business Administration Loan**

In August 2020, the Company received a U.S. Small Business Administration loan of $150,000 at a 3.75% interest rate and maturing in August 2050. Repayments of principal are due monthly beginning in June 2027 and interest is due monthly.

**6.Commitments and Contingencies**

**Leases**

***Operating Lease***

The Company leases office and laboratory premises in Seattle, Washington pursuant to a lease agreement that commenced in April 2011 and expires in July 2024. The agreement requires monthly lease payments, is subject to annual rent escalations during the lease term, and contains two five-year options to extend the lease term. In June 2020, the Company amended the lease agreement to reduce the leased space for the premises from approximately 22,064 square feet to approximately 14,870 square feet, which was accounted for as a lease modification and partial termination of the lease.

Under the lease agreement, the Company is required to pay certain operating costs, in addition to rent, such as common area maintenance, taxes, utilities and insurance. Such additional charges are considered variable lease costs and are recognized in the period in which they are incurred. Rent expense was $214,000 for the three months ended June 30, 2023 and variable costs were $137,000. Rent expense was $450,000 for the six months ended June 30, 2023 and variable costs were $310,000. Rent expense was $208,000 for the three months ended June 30, 2022 and variable costs were $124,000. Rent expense was $416,000 for the six months ended June 30, 2022 and variable costs were $262,000.

The Company's operating leases include various covenants, indemnities, defaults, termination rights, security deposits and other provisions customary for lease transactions of this nature.

Future undiscounted payments due under the operating lease as of June 30, 2023 were as follows:

| Years | (in thousands) |
|---|---|
| Remainder of 2023 | $ 470 |
| 2024 | 561 |
| Total undiscounted lease payments | 1,031 |
| Less: Imputed interest | (50) |
| Operating lease liability | 981 |
| Less: Operating lease liability, current portion | (900) |
| Operating lease liability, net of current portion | $ 81 |

Supplemental information on the Company's operating leases was as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Cash paid for operating lease agreement (in thousands) | $ 235 | $ 228 | $ 466 | $ 452 |
| Remaining lease term (in years) | 1.1 | 2.1 | 1.1 | 2.1 |
| Incremental borrowing rate | 10% | 10% | 10% | 10% |

The Company subleases portions of its premises in Seattle, Washington to third parties. Under the first sublease agreement, which commenced in December 2017, the Company subleases approximately 1,850 square feet. In October 2020 the sublease expiration date was extended from December 2020 to December 2022. In September 2022, the sublease expiration date was extended from December 2022 to December 2023. Under the second sublease agreement, which commenced in January 2019 and expired in June 2020, the Company subleased approximately 7,194 square feet. Sublease income is recorded within operating expenses and was $49,000 for the three months ended June 30, 2023 and $97,000 for the six months ended

June 30, 2023. Sublease income was $46,000 for the three months ended June 30, 2022 and $95,000 for the six months ended June 30, 2022. As of June 30, 2023, the total minimum rentals to be received under the remaining noncancelable sublease was $60,000.

***Finance Leases***

Future undiscounted payments due under finance lease liabilities as of June 30, 2023 were as follows:

| Years | (in thousands) |
|---|---|
| Remainder of 2023 | $ 25 |
| 2024 | 50 |
| 2025 | 32 |
| 2026 | 10 |
| Total undiscounted lease payments | 117 |
| Less: Imputed interest | (13) |
| Financing lease liabilities | 104 |
| Less: Financing lease liabilities, current portion | (42) |
| Financing lease liabilities, net of current portion | $ 62 |

Supplemental information on the Company's financing leases was as follows (cash paid for finance lease agreements was not material):

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Weighted average remaining lease term (in years) | 2.5 | 3.2 |
| Incremental borrowing rate | 9.3% | 9.3% |

**Indemnification**

In the ordinary course of business, the Company enters into agreements that may include indemnification provisions. Pursuant to such agreements, the Company may indemnify, hold harmless and defend an indemnified party for losses suffered or incurred by the indemnified party. Some of the provisions will limit losses to those arising from third-party actions. In some cases, the indemnification will continue after the termination of the agreement. The maximum potential amount of future payments the Company could be required to make under these provisions is not determinable. The Company has not incurred material costs to defend lawsuits or settle claims related to these indemnification provisions. The Company has also entered into indemnification agreements with its directors and officers that may require the Company to indemnify its directors and officers against liabilities that may arise by reason of their status or service as directors or officers to the fullest extent permitted under the Delaware General Corporation Law. The Company currently has directors' and officers' insurance.

**Other Commitments**

The Company has various manufacturing, clinical, research and other contracts with vendors in the conduct of the normal course of its business. Such contracts are generally terminable with advanced written notice and payment for any products or services received by the Company through the effective time of termination and any noncancelable and nonrefundable obligations incurred by the vendor at the effective time of the termination. In the case of terminating a clinical trial agreement at a particular site, the Company would also be obligated to provide continued support for appropriate medical procedures at that site until completion or termination.

**Executive Employment Agreements**

On September 20, 2022, the Company entered into an at-will employment agreement ("Baker Employment Agreement"), which became effective on October 3, 2022, with Keith Baker, its Chief Financial Officer. On September 28, 2022, the Company entered into at-will employment agreements (together with the Baker Employment Agreement, the "Executive Employment Agreements"), which became effective on December 16, 2022 upon the closing of the Merger, with Shawn Iadonato, its Chief Executive Officer, Craig Philips, its President and Pauline Kenny, its General Counsel. On April 23, 2023, the Company's board of directors (the "Board") approved salary increases effective at the next payroll period and bonus increases for fiscal year 2023 to Shawn Iadonato, Craig Philips, Keith Baker, and Pauline Kenny.

The Executive Employment Agreements provide that, if the executive's employment is terminated without Cause (as defined in the Executive Employment Agreements) or the executive resigns for Good Reason (as defined in the Executive Employment Agreements), provided that the executive signs the Release (as defined in the Executive Employment Agreement), the executive will be entitled to (i) accrued compensation, (ii) 39 weeks of pay (52 weeks in the case of Chief Executive Officer) (currently estimated at approximately $1.3 million in the aggregate), (iii) nine (9) months of COBRA benefits (12 months in the case of Chief Executive Officer) for executive and eligible dependents, and (iv) three (3) additional months of vesting of unvested and outstanding equity awards. If executive's employment is terminated without Cause or the executive resigns for Good Reason within the Change in Control Protection Period (as defined in the Executive Employment Agreements), then in addition to (i)-(iv) above, executive will receive current year pro-rated cash bonus.

**7.Strategic License Agreements**

**Anti-VISTA Antibody Program License Agreement**

In connection with the Company's research into innovative immuno-oncology drug targets, the Company acquired rights to a group of fully human antibodies from Gigagen, Inc., a wholly owned subsidiary of Grifols, S.A. ("Gigagen"). Pursuant to a material transfer agreement with Gigagen dated August 2019 (the "2019 MTA"), the Company performed research activities to assess Gigagen's anti-VISTA antibodies. Under an option and license agreement effective as of August 10, 2020, as amended in November 2020, and as further amended in May 2023, the parties agreed to terminate the 2019 MTA and Gigagen granted the Company a research license to continue additional evaluation of certain anti-VISTA antibodies. Gigagen also granted the Company an exclusive option to obtain an exclusive license to develop, manufacture and commercialize certain anti-VISTA antibodies during the option term commencing on the effective date and ended on December 31, 2020. The option and license agreement provides for a payment to Gigagen of $0.2 million within five days after the effective date. In addition, upon the Company's exercise of its option during the option term, within 60 days after such date the Company is obligated to, among other things, (i) pay Gigagen an upfront option exercise fee of $0.4 million, and (ii) issue Gigagen non-voting common stock of the Company having an aggregate then-current fair market value of $0.25 million. The Company is also obligated to pay Gigagen (i) development and regulatory milestones of less than $21 million based on achievement of certain predetermined milestones, (ii) sales milestones up to an aggregate of $11.0 million based on net sales thresholds, and (iii) royalties in the low-single digits on net sales for each licensed product sold by the Company during the term of the agreement. The Company accounted for the acquisition of rights as an asset acquisition because it did not meet the definition of a business. The Company recorded the upfront payment to Gigagen as research and development expense in the consolidated statements of operations because the acquired rights represented in-process research and development that have no alternative future use. From inception of the 2019 MTA through June 30, 2023, the Company has incurred $500,000 in milestone expense and zero in royalties under the 2019 MTA.

**Anti-CD27 Agonist Antibody Program License Agreement**

In connection with the Company's research into innovative immuno-oncology drug targets, the Company acquired rights to a group of fully human antibodies from Gigagen directed to CD27. Pursuant to a material transfer agreement with Gigagen dated October 28, 2020, as amended in April 2021 (the "2020 MTA"), the Company performed research activities to assess Gigagen's anti-CD27 agonist antibodies. Under an option and license agreement effective as of June 9, 2021, as amended in August 2022, as further amended in December 2022, and as further amended in May 2023, the parties agreed to terminate the 2020 MTA, Gigagen granted the Company a research license to continue additional evaluation of certain anti-CD27 agonist antibodies and also granted the Company an exclusive option to obtain an exclusive license to develop, manufacture and commercialize certain antibodies targeting CD27 during the option term commencing on the effective date and ending on December 31, 2022. The option and license agreement provides for the Company to pay Gigagen (i) an insignificant exclusivity payment within 60 days after the effective date, and (ii) an insignificant evaluation payment due by March 16, 2022. In addition, upon the Company's exercise of its option, within 60 days after such option exercise date, the Company is obligated to, among other things, (i) pay Gigagen an upfront option exercise fee of $0.1 million, and (ii) issue Gigagen non-voting common stock of the Company having an aggregate then-current fair market value of $0.25 million. The Company is also obligated to pay Gigagen (i) development and regulatory milestones of less than $21 million based on achievement of certain predetermined milestones, (ii) sales milestones up to an aggregate of $11.0 million based on net sales thresholds, and (iii) royalties in the low-single digits on net sales for each licensed product sold by the Company during the term of the agreement.

The Company accounted for the acquisition of rights as an asset acquisition because it did not meet the definition of a business. From inception of the 2020 MTA through June 30, 2023, none of the milestones have been achieved and no royalties were due under the agreement.

**8.Stockholders' Equity**

**Warrants to Purchase Common Stock**

As of June 30, 2023, the Company had issued and outstanding warrants to purchase shares of the Company's common stock as follows, which all met the condition for equity classification (in thousands):

| Year Issued | Expiration Date | Number Outstanding as of December 31, 2022 | Issued | Exercised | Cancelled/Expired | Number Outstanding as of June 30, 2023 | Range of Exercise Price |
|---|---|---|---|---|---|---|---|
| 2013 | | 12 | — | — | (12) | — | |
| 2017 | November 2023 - June 2025 | 131 | — | — | — | 131 | $0.14 - $21.80 |
| 2019 | March 2025 - April 2027 | 44 | — | — | (4) | 40 | $0.14 - $21.80 |
| 2020 | October 2023 | 45 | — | — | — | 45 | $ 0.14 |
| 2022 | August 2025 - December 2029 | 301 | — | (128) | — | 173 | $0.14 - $168.35 |
| 2023 | April 2028 - April 2033 | — | 1,973 | (67) | — | 1,906 | $4.08 - $5.26 |
| Total number of | | 533 | 1,973 | (195) | (16) | 2,295 | |

| | | | | | | |
|---|---|---|---|---|---|---|
| shares underlying warrants | | | | | | |

**Equity Raise - Registered Direct Offering**

On April 20, 2023, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with an institutional investor (the "Investor"), pursuant to which the Company issued and sold, in a registered direct offering priced at-the-market under the rules of The Nasdaq Stock Market LLC ("Nasdaq") (such offering, the "Registered Offering"), (i) an aggregate of 948,000 shares of its common stock, at a purchase price of $4.21 per share and (ii) pre-funded warrants exercisable for up to 477,179 shares of its common stock (the "Pre-Funded Warrants") to the Investor at a purchase price of $4.209 per Pre-Funded Warrant, for aggregate gross proceeds from the Offerings (as defined below) of approximately $6.0 million before deducting the placement agent fee (as described in greater detail below) and related offering expenses.

Each Pre-Funded Warrant represents the right to purchase one share of common stock at an exercise price of $0.001 per share. The Pre-Funded Warrants are exercisable immediately and may be exercised at any time until the Pre-Funded Warrants are exercised in full.

In a concurrent private placement (the "April 2023 Private Placement" and, together with the Registered Offering, the "Offering"), the Company issued to the Investor warrants to purchase up to 1,425,179 shares of common stock (the "Common Warrants") at an exercise price of $4.08 per share. The Common Warrants are exercisable immediately and will expire five and one-half years from the initial exercise date. In connection with the Offering, the Company entered into an engagement letter (the "Engagement Letter") with H.C. Wainwright & Co., LLC ("Wainwright"), pursuant to which Wainwright agreed to serve as the exclusive placement agent for the issuance and sale of securities of the Company pursuant to the Purchase Agreement. As compensation for such placement agent services, the Company paid Wainwright an aggregate cash fee equal to $420,000, a non-accountable expense of $35,000 and $50,000 for legal and other expenses as actually incurred. The total offering-related fees were approximately $520,000, which resulted in net proceeds to the Company of $5.5 million. On April 24, 2023, the Company also issued to Wainwright or its designees warrants to purchase 71,259 shares of common stock (the "Wainwright Warrants"). The Wainwright Warrants have a term of five years from the commencement of sales in the Offering, and have an exercise price of $5.2625 per share.

During the three months ended June 30, 2023, the Company issued 144,000 shares of its common stock upon exercise of warrants and received proceeds of $10,000. During the six months ended June 30, 2023, the Company issued 195,000 shares of its common stock upon exercise of warrants and received proceeds of $17,000. The exercise price of all shares exercised during the six months ended June 30, 2023 ranged from $0.001 to $0.14.

As of June 30, 2022, the Company had issued and outstanding warrants to purchase shares of the Company's common stock as follows, which all met the condition for equity classification (in thousands):

| Year Issued | Expiration Date | Number Outstanding as of December 31, 2021 | Issued | Exercised | Cancelled/Expired | Number Outstanding as of June 30, 2022 | Range of Exercise Price |
|---|---|---|---|---|---|---|---|
| 2013 | April 2023 | 12 | — | — | — | 12 | $ 10.17 |
| 2017 | September 2022 - June 2025 | 203 | — | (20) | (17) | 166 | $0.14 - $23.25 |
| 2019 | July 2022 - April 2027 | 50 | — | (2) | (1) | 47 | $0.14 - $26.88 |
| 2020 | February 2023 - October 2023 | 73 | — | (24) | — | 49 | $0.14 - $26.88 |
| Total number of shares underlying warrants | | 338 | — | (46) | (18) | 274 | |

During the three months ended June 30, 2022, the Company issued 44,000 shares of its common stock upon exercise of warrants and received proceeds of $6,000. During the six months ended June 30, 2022, the Company issued 45,000 shares of its common stock upon exercise of warrants and received proceeds of $6,000. The exercise price of all shares exercised during the six months ended June 30, 2022 was $0.14.

**Common Stock**

As of June 30, 2023, there were 9,732,463 shares of common stock issued and outstanding.

Common stock reserved for future issuance consisted of the following as the period presented:

| | June 30, 2023 |
|---|---|
| | (in thousands) |
| Shares reserved for stock options and restricted stock units to purchase common stock under equity incentive plans | 1,969 |
| Shares reserved for future issuance of equity awards | 1,047 |
| Shares reserved for exercise of warrants | 2,295 |
| Total | 5,311 |

During the three months ended June 30, 2023, the Company sold 948,000 shares of its common stock in connection with the Registered Offering (as defined above) and received net proceeds of $4.0 million.

During the six months ended June 30, 2023, the Company sold 126,503 shares of its common stock to individual investors under the Sales Agreement (as defined below) and received net proceeds of $0.8 million in connection with the ATM (as defined below) equity offering program.

During the six months ended June 30, 2023, the Company issued 12,000 shares of its common stock for professional services and recorded $41,000 as consulting expense within general and administrative expense.

During the three months ended June 30, 2023, the Company issued 144,000 shares of its common stock upon exercise of warrants and received proceeds of $10,000. During the six months ended June 30, 2023, the Company issued 195,000 shares of its common stock upon exercise of warrants and received proceeds of $17,000. The exercise price of all shares exercised ranged from $0.001 to $0.14.

During the three months ended June 30, 2023, the Company issued 109,000 shares of its common stock upon vesting of restricted stock units. 81,000 shares were issued to members of the Company's executive management, 8,000 shares were issued to directors of the Company and 20,000 were issued to employees, former employees and former Board members. During the six months ended June 30, 2023, the Company issued 132,000 shares of its common stock upon vesting of restricted stock units. 100,000 shares were issued to members of the Company's executive management, 2,000 shares were issued to directors of the Company and 22,000 were issued to employees, former employees and former Board members.

During the three months ended June 30, 2022, the Company sold 33,000 shares of its common stock to individual investors and received net proceeds of $905,000. During the six months ended June 30, 2022, the Company sold 36,000 shares of its common stock to individual investors and received net proceeds of $1.0 million.

During the three months ended June 30, 2022, outstanding principal and accrued interest under the other notes payable of $1.1 million was settled by issuing 46,000 shares of the Company's common stock at fair value (based on a recent valuation) to the holders. During the six months ended June 30, 2022, outstanding principal and accrued interest under the other notes payable of $1.3 million was settled by issuing 55,000 shares of the Company's common stock at fair value (based on a recent valuation) to the holders.

During the three months ended June 30, 2022, the Company issued 44,000 shares of its common stock upon exercise of warrants and received proceeds of $7,000. During the six months ended June 30, 2022, the Company issued 45,000 shares of its common stock upon exercise of warrants and received proceeds of $7,000. The exercise price of all shares exercised was $0.14.

**Private Placement**

The Private Placement (see Note 1) provides for the issuance of shares of the Company's common stock in two closings, one of which occurred immediately following the closing of the Merger and one of which is expected to occur on October 31, 2023. The first closing of the Private Placement occurred on December 16, 2022 and the Company issued 649,346 shares of its common stock and received net proceeds of $7.4 million to investors that are related parties.

In connection with the Private Placement in December 2022, the Company issued 104,000 warrants to purchase shares of the Company's non-voting common stock to investors in the Private Placement, each at an exercise price of $0.14, with exercise contingent upon the Merger closing and exercisable following the first closing of the Private Placement. The Company determined the contingent exercise provisions were indexed to the Company's operations and the warrants qualified for equity classification.

The second closing of the Private Placement is expected to occur on October 31, 2023, at which time the Company will be obligated to issue a number of shares of its common stock based on the aggregate purchase price of $22.5 million divided by the purchase price equal to (a) the VWAP, plus (b) 10% of the VWAP; *provided*, *however*

, that the share purchase price shall be at least equal to the closing price of the Company's common stock on March 29, 2023. The Company determined that its obligation to issue additional shares of its common stock in the second closing at a premium to the VWAP was a freestanding financial instrument and a future right, which is subject to fair value. Accordingly, at inception the future right was recorded as an other asset in the Company's consolidated balance sheet at its fair value equal to 10% of the second closing amount, or $2.3 million. The remaining proceeds from the first closing were allocated to the shares of common stock issued in the first closing and to the warrants as such instruments are equity-classified. The future right is subject to remeasurement at each reporting date and the Company has used the Monte Carlo simulation method to determine fair value of approximately $3.5 million as of June 30, 2023. The Company incurred insignificant issuance costs related to the Private Placement.

**9.Collaboration Agreement**

The following table shows the activity for the Company's collaboration revenue agreement and deferred revenue (in thousands):

| | June 30, | |
|---|---|---|
| | 2023 | 2022 |
| | (in thousands) | |
| Balance as of beginning of period | $ 442 | $ — |
| Decrease for provision of research services | (442) | — |
| Balance as of end of period | $ — | $ — |

**Merck**

In connection with the Merger, the Company became the successor in interest to the Merck Neuromuscular License Agreement with Merck to support research, development and commercialization of products for treatment of neuromuscular diseases, including amyotrophic lateral sclerosis ("ALS"). As of December 31, 2022, the Company had $442,000 in deferred revenue under the Merck Neuromuscular License Agreement. The Company recognized $161,000 in revenue for the three months ended June 30, 2023 and $442,000 for the six months ended June 30, 2023. The Company recognized revenue of zero for the three and six months ended June 30, 2022. As of June 30, 2023, the Company had zero in deferred revenue under the Merck Neuromuscular License Agreement.

**10.Grant Agreement**

**National Institutes of Health**

The Company was awarded a cost-reimbursable grant from the National Institutes of Health (the "NIH"), a federal medical research agency supporting scientific studies, to support the Company's research studies for arenavirus hemorrhagic fever. This award was based on budgeted direct and indirect costs and may only be used for budgeted costs as allowable under certain government regulations and NIH's policy and compliance requirements, subject to government audit. This award was $1.1 million for the budget period January 2021 to December 2021, which was later extended to December 31, 2022.

The Company recognized grant revenue under this grant of zero for the three and six months ended June 30, 2023. The Company recognized grant revenue of $224,000 for the three months ended June 30, 2022 and $299,000 for the six months ended June 30, 2022.

**11.Licensing Revenue Agreements**

The following table shows the activity for the Company's licensing revenue agreements and deferred revenue (in thousands):

| | June 30, | |
|---|---|---|
| | 2023 | 2022 |
| | (in thousands) | |
| Balance as of beginning of period | $ — | $ 1,041 |
| Decrease for provision of research services | — | (967) |
| Balance as of end of period | $ — | $ 74 |

**Genentech, Inc.**

In April 2018, the Company entered into an exclusive option and license agreement with Genentech, as amended in November 2019 and October 2020 (such agreement, as amended, the "Genentech Agreement"), to develop the Company's α9/α10 nicotinic acetylcholine receptor ("nAChR") antagonists for the treatment of chronic pain. On December 27, 2022, the Company through its subsidiary KCP, received written notice from Genentech of its termination of the Genentech Agreement.

The Company recognized license revenue over time of zero under the Genentech Agreement with Genentech for the three and six months ended June 30, 2023. The Company recognized license revenue of $609,000 for the three months ended June 30, 2022 and $967,000 for the six months ended June 30, 2022. There was no deferred revenue related to this license as of June 30, 2023 as the Genentech Agreement was terminated in December 2022.

**Merck**

In June 2023, the Company achieved a development milestone pursuant to the Merck Neuromuscular License Agreement, which triggered a $5.0 million payment. This collaboration focused on the discovery and development of novel candidates for the treatment of ALS. Merck will continue to advance the research program for the ALS pipeline, one of the two pipeline programs licensed under the Merck Neuromuscular License Agreement. As a result, the Company is eligible to receive up to an additional $255.0 million in development milestones, sales milestones and royalties on net sales. Following this milestone, Merck will assume sole responsibility for all future development and commercialization for the ALS program. The Company recognized licensing revenue of $5.0 million for the three months ended June 30, 2023 under the Merck Neuromuscular License Agreement. The Company received the $5.0 million milestone payment in July 2023.

**12.Stock-Based Compensation**

**2008 Equity Incentive Plan**

The Company's 2008 Equity Incentive Plan (the "2008 Plan") provided for the grant of incentive stock options, non-statutory stock options, restricted stock awards and restricted stock units to employees and non-employee service providers of the Company. Under the 2008 Plan, the exercise price of stock options granted were at 100% of the estimated fair market value of the Company's common stock on the date of grant and the contractual term of stock options granted were between five and ten years. Options become vested and, if applicable, exercisable based on terms determined by the Company's board of directors or other plan administrator on the date of grant, which is continued employment or service as defined in each option agreement.

In 2018, the 2008 Plan expired and only stock options granted prior to the 2008 Plan expiration remain outstanding as of June 30, 2023.

**2010 Equity Incentive Plan**

The Company's 2010 Equity Incentive Plan (the "2010 Plan") provided for the grant of incentive stock option, non-statutory stock options, stock appreciation rights, restricted stock awards and restricted stock unit awards to employees and non-employee service providers of the Company. Under the 2010 Plan, the exercise price of stock options granted were at 100% of the estimated fair market value of the Company's common stock on the date of grant and the contractual term of stock options granted did not exceed ten years. Options become vested and, if applicable, exercisable based on terms determined by the Company's board of directors or other plan administrator on the date of grant, which is continued employment or service as defined in each option agreement. Stock appreciation rights ("SARs") provide a participant with the right to receive the aggregate appreciation in stock price over the market price of the Company's common stock at the date of grant, payable in cash. The rights granted have varying vesting terms, including SARs that vest immediately on the grant date and upon satisfaction of the service-based requirement, typically three to five years. The maximum fair value is limited to four times the exercise price.

In February 2020, the 2010 Plan expired and only stock options granted prior to the expiration remain outstanding as of June 30, 2023. As of June 30, 2023, there were no SARs outstanding.

**2020 Equity Incentive Plan**

The Company's 2020 Equity Incentive Plan (the "2020 Plan") authorizes the grant of equity awards for up to 206,000 shares of the Company's voting common stock and 206,000 of the Company's non-voting common stock.

The 2020 Plan provides for the grant of incentive stock options, non-statutory stock options and restricted stock to employees and non-employee service providers. Under the 2020 Plan, the contractual term of stock options shall not exceed ten years and the exercise price of stock options granted shall not be less than 100% of the estimated fair market value of the Company's common stock on the date of grant. However, the exercise price of incentive stock options granted to a 10% stockholder shall not be less than 110% of the fair market value of the common stock on the date of grant and the contractual term shall not exceed ten years. Options become vested and, if applicable, exercisable based on terms determined by the Company's board of directors or other plan administrator on the date of grant, which is continued employment or service as defined in each option agreement. Restricted stock has vesting terms that vest immediately on the grant date or upon satisfaction of the service-based requirement, typically four years or the performance-based requirement. The Company has a repurchase right exercisable upon termination of continuous service with respect to restricted stock for any shares that are issued and unvested.

In December 2022, the 2020 Plan expired and only stock options granted prior to the 2020 Plan expiration remain outstanding as of June 30, 2023.

**2022 Equity Incentive Plan**

In December 2022, the Company approved the 2022 Equity Incentive Plan (the "2022 Plan"). The 2022 Plan provides for the grant of incentive stock option, non-statutory stock options, restricted stock, restricted stock units, stock appreciation rights ("SARs"), performance units and performance shares to employees, directors and independent contractors of the Company. Under the 2022 Plan, the exercise price of stock options grants shall be at 100% fair market value of the Company's common stock on the date of grant and the contractual term of stock options granted shall not exceed ten years. Options become vested and, if applicable, exercisable based on terms determined by the Company's board of directors or other plan administrator on the date of grant, which is continued employment or service as defined in each option agreement. SARs provide a participant with the right to receive the aggregate appreciation in stock price over the market price of the Company's common stock at the date of grant, payable in cash or in shares of equivalent value.

**Stock Option Activity**

The following table summarizes stock option activity under the Company's equity incentive plans:

| | Outstanding Stock Options | Weighted-Average Exercise Price Per Share | Weighted-Average Remaining Contractual Term (years) | Aggregate Intrinsic Value |
|---|---|---|---|---|
| | | (in thousands, except per share amounts and years) | | |
| December 31, 2022 | 734 | $ 22.67 | 5.4 | $ — |
| Granted | 1,268 | $ 3.28 | | |
| Forfeited | (34) | $ 26.85 | | |
| Expired | (9) | $ 10.90 | | |
| Outstanding as of June 30, 2023 | 1,959 | $ 10.10 | 8.1 | $ — |
| Exercisable as of June 30, 2023 | 982 | $ 8.53 | 6.4 | $ — |

**Fair Value of Stock Options**

The fair value of stock options granted for employee and non-employee awards was estimated at the grant date using the Black-Scholes option pricing model based on the following assumptions:

| | Six Months Ended June 30, | |
|---|---|---|
| | 2023 | 2022 |
| Expected volatility | 110.3% - 111.6% | 84.2% - 84.7% |
| Expected term (years) | 6.5 | 5.8 - 6.6 |
| Risk-free interest rate | 3.4% - 3.4% | 1.6% - 2.2% |
| Expected dividend yield | 0% - 0% | 0% - 0% |

**Restricted Stock**

The Company has granted restricted stock units ("RSUs") under its equity incentive plans with both service-based and performance-based vesting conditions. As of June 30, 2023, the Company's outstanding RSUs are time-based and have a grant date fair value of $267,000.

The following table summarizes the Company's restricted stock activity consisting of RSUs:

| | Number of Restricted Stock (RSUs) | Weighted-Average Grant Date Fair Value Per Share |
|---|---|---|
| | (in thousands, excepts per share amounts) | |
| Outstanding and unvested as of December 31, 2022 | 175 | $ 26.89 |
| Exercised/Released | (132) | $ 26.89 |
| Cancelled/Forfeited | (33) | $ 26.48 |
| Outstanding and unvested as of June 30, 2023 | 10 | $ 27.22 |

**Stock-Based Compensation**

The following table summarizes total stock-based compensation included in the Company's consolidated statements of operations:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | (in thousands) | | | |
| Research and development | $ 348 | $ 438 | $ 425 | $ 603 |
| General and administrative | 1,522 | 317 | 2,499 | 437 |
| Total stock-based compensation | $ 1,870 | $ 755 | $ 2,924 | $ 1,040 |

As of June 30, 2023, there was $3.8 million of unrecognized stock-based compensation related to stock options and RSUs outstanding, which is expected to be recognized over a weighted-average remaining service period of 2.1 years.

**13.Net Income (Loss) Per Share**

The following table summarizes the computation of basic and diluted net income (loss)

per share:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | (in thousands, excepts per share amounts) | | | |
| Numerator: | | | | |
| Net income (loss) attributable to Kineta, Inc. | $ 386 | $ (5,878) | $ (6,065) | $ (10,854) |
| Denominator: | | | | |
| Weighted-average common shares outstanding, basic and diluted[(1)] | 9,939 | 4,795 | 9,339 | 4,766 |
| Net income (loss) per share, basic and diluted | $ 0.04 | $ (1.23) | $ (0.65) | $ (2.28) |

(1) Included in the denominator were 640,000 and 506,000 weighted-average shares of common stock warrants for the three and six months ended June 30, 2023, respectively, with exercise prices that ranged from $0.001 to $0.14. Included in the denominator were 146,000 weighted-average shares of common stock warrants for the three and six months ended June 30, 2022 with an exercise price of $0.14.

The following outstanding potentially dilutive common stock equivalents were excluded from the computation of diluted net income (loss) per share as of the periods presented because including them would have been antidilutive:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | (in thousands) | | | |
| Common stock options | 1,959 | 737 | 1,959 | 737 |
| Unvested restricted stock subject to repurchase | 10 | 170 | 10 | 170 |
| Warrants to purchase common stock | 1,631 | 128 | 1,631 | 128 |
| Vested restricted stock subject to recall | 56 | 56 | 56 | 56 |
| Convertible notes, if converted | — | 594 | — | 594 |
| Total | 3,656 | 1,685 | 3,656 | 1,685 |

**Defined Contribution Plan**

The Company sponsors a 401(k) Plan whereby all employees are eligible to participate in the 401(k) Plan after meeting certain eligibility requirements. Participants may elect to have a portion of their salary deferred and contributed to the 401(k) plan, subject to certain limitations. The Company provided matching contributions of $29,000 for the three months ended June 30, 2023 and $69,000 for the six months ended June 30, 2023. The Company provided matching contributions of $26,000 for the three months ended June 30, 2022 and $67,000 for the six months ended June 30, 2022.

**14.Related Party Transactions**

**RSU Vesting**

During the three months ended June 30, 2023, the Company issued 89,000 shares of its common stock upon vesting of restricted stock units. 81,000 shares were issued to members of the Company's executive management and 8,000 shares were issued to directors of the Company.

**Warrant Exercises**

During the three months ended June 30, 2023, the Company issued 63,000 shares of its common stock upon exercise of outstanding warrants, 3,000 shares were issued to members of the Company's executive management and 60,000 shares were issued to a director of the Company.

**Stock Purchases**

During the three months ended June 30, 2023, one member of the Company's executive management purchased 5,000 shares of the Company's common stock on the open market.

**2020 Convertible Notes**

As of June 30, 2022, the Company had a principal balance of $9.8 million outstanding for its 2020 convertible notes. Two members of the Company's board of directors held two of 2020 convertible notes totaling $1.8 million.

**15.Subsequent Events**

The Company evaluated subsequent events through the date these consolidated financial statements were issued.

**Election of Directors**

On June 27, 2023, the Board increased the size of the Board from five to seven members and appointed Scott J. Dylla, Ph.D. and Kimberlee C. Drapkin as directors of the Company, effective July 1, 2023. In addition, the Board appointed Dr. Dylla to serve as a member of the Compensation Committee of the Board and appointed Ms. Drapkin to serve as a member of the Audit Committee of the Board and the Compensation Committee of the Board. The Board has determined that Dr. Dylla and Ms. Drapkin are each independent in accordance with the applicable rules of Nasdaq.

**Employee and Director Equity Awards**

On July 1, 2023, the Board, pursuant to the Company's Non-Employee Director Compensation Policy, granted an option to purchase 20,000 shares of common stock to each of Ms. Drapkin and Dr. Dylla in connection with their appointment to the Board. These stock option grants were issued under the 2022 Plan and vest in equal quarterly installments over three years.

**Amendment No. 5 to the Securities Purchase Agreement**

In connection and concurrently with the execution of the Merger Agreement, on June 5, 2022, the Company entered into the Securities Purchase Agreement to sell shares of the Company's common stock to certain institutional investors in the Private Placement. The Company and the investors entered into the amendment to the Securities Purchase Agreement on July 21, 2023 to, among other things, extend the date of the second closing. The second closing of the Private Placement for an aggregate purchase price of $22.5 million is expected to occur on October 31, 2023.

**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 related notes appearing elsewhere in this Quarterly Report on Form 10-Q. Some of the information contained in this discussion and analysis or set forth elsewhere in this Quarterly Report on Form 10-Q, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. As a result of many factors, including those factors set forth in the "Risk Factors" section of this Quarterly Report on Form 10-Q, our actual results could differ materially from the results described in, or implied by, the forward-looking statements contained in the following discussion and analysis.*

**Overview**

We are a clinical-stage biotechnology company with a mission to develop next-generation immunotherapies that transform patients' lives. We have leveraged our expertise in innate immunity and are focused on discovering and developing potentially differentiated immunotherapies that address the major challenges with current cancer therapy.

We have established our Innate Immunity Development Platform aimed at developing fully human antibodies to address the major mechanisms of cancer immune resistance:

- Immuno-suppression;
- Exhausted T cells; and
- Poor tumor immunogenicity

Utilization of our Innate Immunity Development Platform is designed to result in novel, well-characterized immuno-oncology lead antibody therapeutics that can be efficiently advanced into investigational new drug ("IND")-enabling preclinical studies and clinical trials.

Our pipeline of assets and research interests includes (i) KVA12123 (formerly referred to as KVA12.1), a monoclonal antibody ("mAb") immunotherapy targeting VISTA (V-domain Ig suppressor of T cell activation), (ii) an anti-CD27 agonist mAb immunotherapy and (iii) an anti-CD24 antagonist mAb immunotherapy discovery program. These immunotherapies have the potential to address disease areas with unmet medical needs and significant commercial potential.

We dosed the first patient in a Phase 1/2 clinical trial of KVA12123 in the United States in April 2023. The Phase 1/2 clinical study will evaluate KVA12123 alone and in combination with the immune checkpoint inhibitor pembrolizumab in patients with advanced solid tumors. KVA12123 is engineered to be a differentiated VISTA blocking immunotherapy to address the problem of immunosuppression in the tumor microenvironment. It is a fully human engineered IgG1 monoclonal antibody that was designed to bind to VISTA through a unique epitope. KVA12123 may be an effective immunotherapy for many types of cancer including non-small cell lung cancer ("NSCLC"), colorectal cancer ("CRC"), ovarian cancer ("OC"), renal cell carcinoma ("RCC") and head and neck squamous cell carcinoma ("HNSCC"). These indications represent a significant unmet medical need with a large worldwide commercial opportunity for KVA12123.

We are also conducting preclinical studies on our lead anti-CD27 agonist mAb immunotherapy that was discovered utilizing our Innate Immunity Development Platform. This lead candidate is a fully human mAb that demonstrates low nanomolar ("nM") binding affinity to CD27 in humans. In preclinical studies, our lead anti-CD27 agonist mAb was observed to induce T cell proliferation and secretion of cytokines involved in T cell priming and recruitment, suggesting the ability to potentiate new anti-tumor responses. CD27 is a clinically validated target that may be an effective immunotherapy for advanced solid tumors including RCC, CRC and OC. We continue to conduct preclinical studies to optimize its lead anti-CD27 agonist mAb clinical candidate.

According to Market Data Forecast, the immuno-oncology market generated sales of approximately $99 billion in 2022 and is forecast to reach $179 billion in 2027. If we successfully complete the clinical trial program for KVA12123 and we subsequently obtain regulatory approval for KVA12123, we will focus on initial target indications in NSCLC, CRC and OC. Clinical development of KVA12123 will be as a second-line therapy in these indications. These three cancer therapy segments represent a forecasted $48 billion market opportunity in 2027 according to GlobalData.

We are a leader in the field of innate immunity and are focused on developing potentially differentiated immunotherapies. With drug candidates expected to enter the clinic and additional immuno-oncology assets in preclinical development, we believe we are positioned to achieve multiple value-driving catalysts. We have assembled an experienced management team, a seasoned research and development team, an immuno-oncology focused scientific advisory board, an enabling technology platform and a leading intellectual property position to advance our pipeline of potential novel immunotherapies for cancer patients.

Since our inception in 2007, we have devoted substantially all of our resources to raising capital, licensing certain technology and intellectual property rights, identifying and developing potential product candidates, conducting research and development activities, including preclinical studies and clinical trials, organizing and staffing operations and providing general and administrative support for these operations.

We have no products approved for commercial sale and have not generated any revenue from product sales. To date, revenue has been generated from the out-licensing of certain rights to third parties, providing research services under licensing and collaboration agreements as well as revenue from government grants.

We have never been profitable and have incurred operating losses in each period since inception. Our net losses were $6.1 million for the six months ended June 30, 2023 and $10.9 million for the six months ended June 30, 2022. As of June 30, 2023 we had an accumulated deficit of $157.8 million.

We expect to incur significant expenses and continued operating losses for at least the next several years as we initiate and continue the clinical development of, and seek regulatory approval for, our product candidates and add personnel necessary to advance our pipeline of clinical-stage product candidates. In addition, operating as a publicly-traded company will involve the hiring of additional financial and other personnel, and the incurrence of substantial other costs associated with operating as a public company. We expect that our operating losses will fluctuate significantly from quarter to quarter and year to year due to timing of clinical development programs and efforts to achieve regulatory approval.

From inception to June 30, 2023, we have raised cash from sales and issuances of common stock and borrowings under notes payable. As of June 30, 2023, we had cash of $7.8 million. Our current capital resources, together with the $5.0 million cash received in July 2023 from the Merck milestone payment plus the committed proceeds of $22.5 million pursuant to the second closing of the Private Placement, will be sufficient to fund operating expenses and capital expenditure requirements into early 2025. Our long term plans will require us to raise substantial additional capital to continue our clinical development and potential commercialization activities. Accordingly, we will need to raise substantial additional capital to continue to fund our long-term plans. The amount and timing of our future funding requirements will depend on many factors, including the pace and results of our clinical development efforts. Failure to raise capital as and when needed, on favorable terms or at all, would have a negative impact on our financial condition and our ability to develop our product candidates.

***Private Placement***

In connection and concurrently with the execution of the Merger Agreement, on June 5, 2022, we entered into a financing agreement, as amended on October 24, 2022, December 5, 2022, March 29, 2023, May 1, 2023 and July 21, 2023 (such financing agreement, as amended, the "Securities Purchase Agreement"), with certain investors to sell shares of our common stock to such investors in a private placement (the "Private Placement"). We and the investors entered into the amendment to the Securities Purchase Agreement on July 21, 2023 to, among other things: (i) extend the date of the second closing from July 25, 2023 to October 31, 2023.

The first closing of the Private Placement occurred on December 16, 2022 and we issued 649,346 shares of our common stock and received net proceeds of $7.4 million. The second closing of the Private Placement for an aggregate purchase price of $22.5 million is expected to occur on October 31, 2023. The Company has the ability to unilaterally terminate the Securities Purchase Agreement until the date of the second closing.

***Geopolitical Developments***

Geopolitical developments, such as the Russian invasion of Ukraine or deterioration in the bilateral relationship between the United States and China, may impact government spending, international trade and market stability, and cause weaker macro-economic conditions. The impact of these developments, including any resulting sanctions, export controls or other restrictive actions that may be imposed against governmental or other entities in, for example, Russia, have in the past contributed and may in the future contribute to disruption, instability and volatility in the global markets, which in turn could adversely impact our operations and weaken our financial results. Certain political developments may also lead to uncertainty to regulations and rules that may materially affect our business.

***At-the-Market Offering Program***

In February 2023, we entered into a sales agreement (the "Sales Agreement") with Jefferies with respect to an at-the-market ("ATM") offering program under which we may issue and sell, from time to time and at our sole discretion, shares of our common stock, in an aggregate offering amount of up to $17.5 million, subject to the offering limits in General Instruction I.B.6 to Form S-3. Jefferies acts as our sales agent and will use commercially reasonable efforts to sell shares of common stock from time to time, based upon instruction from us. We will pay Jefferies 3.0% of the gross proceeds from the sales of any common stock sold pursuant to the Sales Agreement.

On April 19, 2023, we delivered written notice to Jefferies that we were suspending and terminating the prospectus supplement (the "ATM Prospectus Supplement") related to our common stock issuable pursuant to the Sales Agreement. We will not make any sales of our securities pursuant to the Sales Agreement, unless and until a new prospectus supplement is filed. Other than the termination and suspension of the ATM Prospectus Supplement, the Sales Agreement remains in full force and effect.

During the six months ended June 30, 2023, we sold 126,503 shares of our common stock to individual investors under the Sales Agreement and received net proceeds of $0.8 million in connection with the ATM equity offering program.

***Registered Direct Offering***

On April 20, 2023, we entered into a Securities Purchase Agreement (the "Purchase Agreement") with an institutional investor (the "Investor"), pursuant to which we issued and sold, in a registered direct offering priced at-the-market under the rules of The Nasdaq Stock Market LLC ("Nasdaq") (such offering, the "Registered Offering"), (i) an aggregate of 948,000 shares of our common stock, at a purchase price of $4.21 per share and (ii) pre-funded warrants exercisable for up to 477,179 shares of our common stock (the "Pre-Funded Warrants") to the Investor at a purchase price of $4.209 per Pre-Funded Warrant, for aggregate gross proceeds from the Offering (as defined below) of approximately $6.0 million before deducting the placement agent fee (as described in greater detail below) and related offering expenses.

Each Pre-Funded Warrant represents the right to purchase one share of common stock at an exercise price of $0.001 per share. The Pre-Funded Warrants are exercisable immediately and may be exercised at any time until the Pre-Funded Warrants are exercised in full.

In a concurrent private placement (the "April 2023 Private Placement" and, together with the Registered Offering, the "Offering"), we issued to the Investor warrants to purchase up to 1,425,179 shares of common stock (the "Common Warrants") at an exercise price of $4.08 per share. The Common Warrants are exercisable immediately and will expire five and one-half years from the initial exercise date.

In connection with the Offering, we entered into an engagement letter (the "Engagement Letter") with H.C. Wainwright & Co., LLC ("Wainwright"), pursuant to which Wainwright agreed to serve as the exclusive placement agent for the issuance and sale of securities of the Company pursuant to the Purchase Agreement. As compensation for such placement agent services, we paid Wainwright an aggregate cash fee equal to $420,000, a non-accountable expense of $35,000 and $50,000 for legal and other expenses as actually incurred. On April 24, 2023, we also issued to Wainwright or its designees warrants to purchase 71,259 shares of common stock (the "Wainwright Warrants"). The Wainwright Warrants have a term of five years from the commencement of sales in the Offering, and have an exercise price of $5.2625 per share.

***Nasdaq Market Capitalization Deficiency Letter***

On June 27, 2023, the Company received written notice (the "Notice") from the Listing Qualifications Department of Nasdaq stating that the Company is not in compliance with Nasdaq Listing Rule 5550(b)(2) because the Company has not maintained a minimum Market Value of Listed Securities ("MVLS") of at least $35 million for the last 30 consecutive business days. The Notice has no immediate effect on the listing or trading of the Company's securities.

The Company has 180 calendar days from the date of the Notice, or until December 26, 2023, to regain compliance. If at any time during this 180-day period the MVLS is at least $35 million for a minimum of ten consecutive business days, Nasdaq will provide the Company with written confirmation of compliance and this matter will be closed.

If the Company does not regain compliance with the MVLS requirement within the compliance period, the Company's common stock will be subject to delisting. In the event the Company receives notice that the Company's common stock is being delisted, Nasdaq's rules permit the Company to appeal the delisting determination by the Nasdaq staff to a hearings panel.

The Company intends to monitor the market value of the Company's listed securities and may, if appropriate, consider available options to regain compliance with the MVLS requirement.

There can be no assurance that the Company will be able to regain compliance with the MVLS requirement.

**Financial Operations Overview**

***Revenues***

To date, we have not generated any revenue from product sales and do not expect to generate any revenue from product sales in the near future. Our revenues have been primarily derived from our collaboration, research and license agreements as well as grants awarded by government agencies.

*Collaboration Revenues*

In connection with the Merger, we became the successor in interest to an exclusive license and research collaboration agreement (the "Merck Neuromuscular License Agreement") with Merck (known as MSD outside the United States and Canada) to support research, development and commercialization of products for treatment of neuromuscular diseases, including amyotrophic lateral sclerosis. We recognize revenue using the cost-to-cost method, which we believe best depicts the transfer of control to the customer. Under the cost-to-cost method, the extent of progress towards completion is measured based on the ratio of actual costs incurred to the total estimated costs expected upon satisfying the identified performance obligation. Under this method, revenue is recognized as a percentage of actual cost incurred to the estimated costs to complete.

*Licensing Revenues*

Our license agreements may include the transfer of intellectual property rights in the form of licenses, promises to provide research and development services and promises to participate on certain development committees with the collaboration party. The terms of such agreements include payment to us of one or more of the following: nonrefundable upfront fees, payment for research and development services, development, regulatory and commercial milestone payments and sales-based milestones and royalties on net sales of licensed products.

Revenue associated with nonrefundable upfront license fees where the license fees and research and development activities cannot be accounted for as separate performance obligations is deferred and recognized as revenue over the expected period of performance based on a cost-based input method. Revenue from contingent development, regulatory and commercial milestones, when not deemed probable of significant reversal of cumulative revenue, is also recognized over the performance period based on a similar method. Where we have no remaining performance obligations, revenue from such milestones is recognized when the accomplishment of the milestones is deemed probable. Our license agreement with Genentech was terminated in December 2022 and we do not expect to recognize any revenue from the Genentech Agreement during 2023.

*Grant Revenues*

Under our grant agreements with government-sponsored and charitable organizations, we receive payment for providing research and development services. Revenue associated with grant arrangements is based on a cost-based reimbursement model that recognizes revenue over time as we perform work under the grants and incur qualifying research and development costs.

We have completed research and development services under the grant agreements and do not expect to recognize any revenue during 2023.

***Operating Expenses***

*Research and Development Expenses*

Research and development expenses represent costs incurred in connection with the discovery, research, preclinical and clinical development, and manufacture of our product candidates. We recognize all research and development costs as they are incurred. Research and development expenses consist primarily of the following:

- salaries, bonuses, benefits, stock-based compensation, research and consulting arrangements and other related costs for individuals involved in research and development activities;
- external clinical trial costs to enroll clinical sites and patients to conduct phase 1 clinical trials;
- external research and development expenses incurred under agreements with contract research organizations, investigative sites and other scientific development services;
- costs incurred under agreements with contracted research and manufacturing organizations for developing and manufacturing materials for preclinical studies, clinical trials and laboratory supplies;
- licensing agreements and associated costs;
- costs related to compliance with regulatory requirements;
- facilities and other allocated expenses for rent and insurance; and
- other expenses incurred to advance research and development activities including manufacturing costs associated with production, scale up, testing and optimization of methods associated with the production of materials.

The largest component of our operating expenses has historically been our investment in research and development activities. We expect our research and development expenses will increase in the future as we advance our product candidates into and through clinical trials and pursue regulatory approvals, which will require a significant investment in costs of clinical trials, regulatory support and contract manufacturing. In addition, we continue to evaluate opportunities to acquire or in-license other product candidates and technologies, which may result in higher research and development expenses due to license fee and/or milestone payments, as well as added clinical development costs.

As we are working on multiple research and development programs at any one time, we track our external expenses by the stage of program, clinical or preclinical. However, our internal expenses, including unallocated costs, personnel costs and infrastructure costs, are not directly related to any one program and are deployed across multiple programs. As such, we do not track internal expenses on a specific program basis.

The process of conducting clinical trials necessary to obtain regulatory approval is costly and time consuming. We may never succeed in timely developing and achieving regulatory approval for our product candidates. The probability of success of our product candidates may be affected by numerous factors, including clinical data, competition, manufacturing capability and commercial viability. As a result, we are unable to determine the duration and completion costs of our development projects or when and to what extent we will generate revenue from the commercialization and sale of any of our future product candidates.

*General and Administrative Expenses*

General and administrative expenses consist primarily of employee-related expenses, including salaries, benefits and stock-based compensation for personnel in executive, finance and accounting, and other administrative functions, as well as fees paid for legal, accounting and tax services, consulting fees and facilities costs not otherwise included in research and development expenses. Legal costs include general corporate legal fees and patent costs. We expect to incur additional expenses as a result of operating as a public company, including expenses related to compliance with the rules and regulations of the SEC and Nasdaq, additional insurance, investor relations and other administrative expenses and professional services.

***Other (Expense) Income***

*Interest Expense*

Interest expense consists of interest charged on outstanding borrowings associated with our debt arrangements primarily consisting of borrowings under several notes payable agreements.

*Change in Fair Value Measurement of Other Asset*

Change in fair value of other asset relates to the remeasurement of the rights from Private Placement that we determined was a derivative, which requires the asset to be accounted for at fair value. Until settlement, this other asset is remeasured at fair value at each reporting period with the changes in fair value recorded in the statement of operations.

*Change in Fair Value Measurement of Notes Payable*

Change in fair value of notes payable relates to the remeasurement of the notes payable that we elected to account for under the fair value option. Until settlement, these notes payable are remeasured at fair value at each reporting period with the changes in fair value recorded in the statement of operations.

*(Loss) Gain on Extinguishments of Debt, Net*

(Loss) gain on extinguishments of debt, net consists of the (loss) gain upon settlement of our notes payable and other debt.

*Other (Expense) Income, Net*

Other (expense) income, net consists of interest income and other items that are of a non-recurring nature and primarily relate to items that are immaterial.

*Net (Loss) Income Attributable to Noncontrolling Interest*

Net (loss) income attributable to noncontrolling interest reflects investors' share of net (loss) income in our majority owned subsidiaries.

**Results of Operations**

***Comparison of the Three and Six Months Ended June 30, 2023 to the Three and Six Months Ended June 30, 2022***

The following table summarizes our results of operations for the periods presented:

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | Change | 2023 | 2022 | Change |
| | (in thousands) | | | (in thousands) | | |
| Revenues: | | | | | | |
| Collaboration revenues | $ 161 | $ — | $ 161 | $ 442 | $ — | $ 442 |
| Licensing revenues | 5,000 | 609 | 4,391 | 5,000 | 967 | 4,033 |
| Grant revenues | — | 224 | (224) | — | 299 | (299) |
| Total revenues | 5,161 | 833 | 4,328 | 5,442 | 1,266 | 4,176 |
| Operating expenses: | | | | | | |
| Research and development | 2,710 | 3,879 | (1,169) | 5,553 | 7,902 | (2,349) |
| General and administrative | 3,431 | 1,825 | 1,606 | 7,355 | 3,434 | 3,921 |
| Total operating expenses | 6,141 | 5,704 | 437 | 12,908 | 11,336 | 1,572 |
| Loss from operations | (980) | (4,871) | 3,891 | (7,466) | (10,070) | 2,604 |
| Other (expense) income: | | | | | | |
| Interest expense | (21) | (556) | 535 | (44) | (1,140) | 1,096 |
| Change in fair value of other asset | 1,221 | — | 1,221 | 1,221 | — | 1,221 |
| Change in fair value of measurement of notes payable | (7) | (266) | 259 | (13) | (124) | 111 |
| Gain on extinguishments of debt expense | — | (174) | 174 | — | 495 | (495) |
| Other income (expense), net | 162 | (11) | 173 | 197 | (14) | 211 |
| Total other (expense) income, net | 1,355 | (1,007) | 2,362 | 1,361 | (783) | 2,144 |
| Net income (loss) | 375 | (5,878) | 6,253 | (6,105) | (10,853) | 4,748 |
| Net income (loss) attributable to noncontrolling interest | (11) | — | (11) | (40) | 1 | (41) |
| Net income (loss) attributable to Kineta, Inc. | $ 386 | $ (5,878) | $ 6,264 | $ (6,065) | $ (10,854) | $ 4,789 |

*Revenues*

Collaboration revenues were $161,000 for the three months ended June 30, 2023 and zero for the three months ended June 30, 2022 as a result of

research services provided under the Merck Neuromuscular License Agreement pursuant to which the Company became a successor in interest in connection with the Merger. Collaboration revenues were $442,000 for the six months ended June 30, 2023 and zero for the six months ended June 30, 2022. Upon completion of the Merger, we had $442,000 in deferred revenue under the Merck Neuromuscular License Agreement. As of June 30, 2023, we have completed the project services and had zero in deferred revenue under the Merck Neuromuscular License Agreement.

Licensing revenues were $5.0 million for the three months ended June 30, 2023 and $609,000 for the three months ended June 30, 2022 and were $5.0 million for the six months ended June 30, 2023 and $967,000 for the six months ended June 30, 2022. The licensing revenues in 2023 were due to the achievement of a development milestone pursuant to the Merck Neuromuscular License Agreement and the licensing revenues in 2022 were due to research and development services from the Genentech Agreement, which was terminated in December 2022.

Grant revenues were zero for the three months ended June 30, 2023 and $224,000 for the three months ended June 30, 2022 and were zero for the six months ended June 30, 2023 and $299,000 for the six months ended June 30, 2022. The grant revenues in 2022 were due to services provided under a grant that was concluded in December 2022.

*Research and Development Expenses*

The following table summarizes our research and development expenses by program and category for the periods presented:

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | Change | 2023 | 2022 | Change |
| | | (in thousands) | | | (in thousands) | |
| Direct external program expenses: | | | | | | |
| KVA12123 program | $ 1,647 | $ 1,872 | $ (225) | $ 3,431 | $ 4,376 | $ (945) |
| ALS target program | 84 | — | 84 | 282 | — | 282 |
| CD27 program | 89 | 177 | (88) | 162 | 362 | (200) |
| KCP-506 program | 7 | 277 | (270) | 111 | 311 | (200) |
| Other programs | — | 84 | (84) | — | 178 | (178) |
| Internal and unallocated expenses: | | | | | | |
| Personnel-related costs | 573 | 1,165 | (592) | 922 | 2,055 | (1,133) |
| Facilities and related costs | 244 | 206 | 38 | 544 | 428 | 116 |
| Other costs | 66 | 98 | (32) | 101 | 192 | (91) |
| Total research and development expenses | $ 2,710 | $ 3,879 | $ (1,169) | $ 5,553 | $ 7,902 | $ (2,349) |

Research and development expenses decreased by $1.2 million, or 30%, to $2.7 million for the three months ended June 30, 2023 from $3.9 million for the three months ended June 30, 2022. The decrease in direct external program expenses of $0.6 million was primarily due to lower activities for KCP-506, which mostly completed in 2022, and KVA12123 as we began securing clinical trial sites in advance of enrolling the first patient, which occurred in April 2023. We expect our direct external program expenses to increase over time this year as we enroll and dose additional patients. The decrease in our internal and unallocated research and development expenses of $0.6 million was primarily due to lower personnel costs as a result of reducing research and development staff in December 2022 as we transitioned to clinical trials.

Research and development expenses decreased by $2.3 million, or 30%, to $5.6 million for the six months ended June 30, 2023 from $7.9 million for the six months ended June 30, 2022. The decrease in direct external program expenses of $1.2 million was primarily due to lower activities for KVA12123 as we began securing clinical trial sites in advance of enrolling the first patient, which occurred in April 2023. We expect our direct external program expenses to increase over time this year as we enroll and dose additional patients. The decrease in our internal and unallocated research and development expenses of $1.1 million was primarily due to lower personnel costs as a result of reducing research and development staff in December 2022 as we transitioned to clinical trials.

*General and Administrative Expenses*

General and administrative expenses increased by $1.6 million, or 88%, to $3.4 million for the three months ended June 30, 2023 from $1.8 million for the three months ended June 30, 2022. The increase was primarily due to an increase in personnel costs driven by a $1.2 million increase in stock-based compensation expense and $0.3 million increase on compensation. Stock-based compensation increased due to additional options granted during 2023 and from RSUs with performance conditions contingent upon the closing of the Merger, which were not met until December 2022.

General and administrative expenses increased by $3.9 million, or 114%, to $7.4 million for the six months ended June 30, 2023 from $3.4 million for the six months ended June 30, 2022. The increase was primarily due to increases in personnel costs of $2.7 million, professional services of $0.7 million and other administrative costs of $0.5 million. Stock-based compensation increased due to additional options granted during 2023 and from RSUs with performance conditions contingent upon the closing of the Merger, which were not met until December 2022. Professional services increased due to higher legal, audit and consulting costs from operating as a public company. Other administrative expenses increased primarily due to public company directors and officers insurance premiums.

Other Income and expense, net

*Interest Expense*

Interest expense decreased by $535,000, or 96%, to $21,000 for the three months ended June 30, 2023 from $556,000 for the three months ended June 30, 2022. Interest expense decreased by $1.1 million, or 96%, to $44,000 for the six months ended June 30, 2023 from $1.1 million for the six months ended June 30, 2022. Interest expense decreased due to a significantly lower balance of notes in 2023 as the majority of notes were converted to equity in December 2022.

*Change in Fair Value Measurement of Other Asset*

Change in fair value of other asset was a gain of $1.2 million for the three and six months ended June 30, 2023 and was zero for the three and six months ended June 30, 2022. The fluctuation in 2023 was due to the change in fair value of the rights from Private Placement.

*Change in Fair Value Measurement of Notes Payable*

Change in fair value of notes payable was a loss of $7,000 for the three months ended June 30, 2023 and was a loss of $266,000 for the three months ended June 30, 2022. Change in fair value of notes payable was a loss of $13,000 for the six months ended June 30, 2023 and was a loss of $124,000 for the six months ended June 30, 2022. The fluctuations in 2023 were not significant due to a significantly lower balance of notes in 2023 as the majority of notes were converted to equity in December 2022.

*Gain/loss on Extinguishments of Debt*

Loss on extinguishments of debt was zero for the three months ended June 30, 2023 and $174,000 for the three months ended June 30, 2022 due to the settlement of notes payable accounted for under the fair value election. Gain on extinguishments of debt was zero for the six months ended June 30, 2023 and $495,000 for the six months ended June 30, 2022. There have been no settlement of notes payable during the three and six months ended June 30, 2023 as the majority of notes were converted to equity in December 2022.

**Liquidity and Capital Resources**

***Sources of Liquidity***

Since our inception through June 30, 2023, our operations have been financed primarily by net cash proceeds from the sale and issuance of our common stock and borrowings under notes payable. We have also received upfront payments from our license agreements. As of June 30, 2023, we had $7.8 million in cash and an accumulated deficit of $157.8 million. We expect that our operating expenses will increase, and, as a result, anticipate that we will continue to incur increasing losses for the foreseeable future. Therefore, we will need to raise additional capital to fund our operations, which may be through the issuance of additional equity or through borrowings.

On April 20, 2023, we entered into a Securities Purchase Agreement (the "Purchase Agreement") with an institutional investor (the "Investor"), pursuant to which we issued and sold, in a registered direct offering priced at-the-market under the rules of Nasdaq (the "Registered Offering"), (i) an aggregate of 948,000 shares of our common stock, at a purchase price of $4.21 per share and (ii) pre-funded warrants exercisable for up to 477,179 shares of our common stock (the "Pre-Funded Warrants") to the Investor at a purchase price of $4.209 per Pre-Funded Warrant, for aggregate gross proceeds from the Offerings (as defined below) of approximately $6.0 million before deducting the placement agent fee (as described in greater detail below) and related offering expenses.

Each Pre-Funded Warrant represents the right to purchase one share of our common stock at an exercise price of $0.001 per share. The Pre-Funded Warrants are exercisable immediately and may be exercised at any time until the Pre-Funded Warrants are exercised in full.

In the April 2023 Private Placement, we issued to the Investor Common Warrants at an exercise price of $4.08 per share. The Common Warrants are exercisable immediately and will expire five and one-half years from the initial exercise date. In connection with the Offering, we entered into the Engagement Letter with Wainwright, pursuant to which Wainwright agreed to serve as the exclusive placement agent for the issuance and sale of our securities pursuant to the Purchase Agreement. As compensation for such placement agent services, we paid Wainwright an aggregate cash fee equal to $420,000, a non-accountable expense of $35,000 and $50,000 for legal and other expenses as actually incurred. The total offering-related fees were approximately $520,000, which resulted in net proceeds to us of $5.5 million. On April 24, 2023, we also issued to Wainwright or its designees warrants to purchase 71,259 shares of the Wainwright Warrants. The Wainwright Warrants have a term of five years from the commencement of sales in the Offering, and have an exercise price of $5.2625 per share.

***Future Funding Requirements***

Our revenues to date have been primarily derived from our collaboration, research and license agreements as well as grants awarded by government agencies. We, however, have not generated any revenue from product sales, and do not know when, or if, we will generate any revenue from product sales. We do not expect to generate any revenue from product sales unless and until we obtain regulatory approval of and commercialize any of our product candidates. At the same time, we expect our expenses to increase in connection with our ongoing development activities, particularly as we continue the research, development and clinical trials of, and seeks regulatory approval for, our product candidates. In addition, subject to obtaining

regulatory approval of any of our product candidates, we anticipate that we will need substantial additional funding in connection with our continuing operations. We plan to continue to fund our operations and capital requirements through equity and/or debt financing, but there are no assurances that we will be able to raise sufficient amounts of funding in the future on acceptable terms, or at all.

Our future funding requirements will depend on many factors, including:

- the progress, timing, scope, results and costs of the clinical trials of VISTA and preclinical studies or clinical trials of other potential product candidates we may choose to pursue in the future, including the ability to enroll patients in a timely manner for our clinical trials;
- the costs and timing of obtaining clinical and commercial supplies and validating the commercial manufacturing process for VISTA and any other product candidates we may identify and develop;
- the cost, timing and outcomes of regulatory approvals;
- the timing and amount of any milestone, royalty or other payments we are required to make pursuant to current or any future collaboration or license agreements;
- costs of acquiring or in-licensing other product candidates and technologies;
- the terms and timing of establishing and maintaining collaborations, licenses and other similar arrangements;
- the costs associated with attracting, hiring and retaining existing and additional qualified personnel as our business grows;
- efforts to enhance operational systems and hire additional personnel to satisfy our obligations as a public company, including enhanced internal controls over financial reporting; and
- the cost of preparing, filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights.

As of June 30, 2023, we had cash of $7.8 million. Our current capital resources as of June 30, 2023, together with the $5.0 million in cash received in July 2023 from the Merck milestone payment plus the committed proceeds of $22.5 million pursuant to the second closing of the Private Placement, will be sufficient to fund our operating expenses and capital expenditure requirements into early 2025.

However, until we can generate a sufficient amount of product revenue to finance our cash requirements, we expect to finance our future cash needs primarily through the issuance of additional equity, borrowings and strategic alliances with partner companies. To the extent that we raise additional capital through the issuance of additional equity or convertible debt securities, the ownership interest of our shareholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of existing shareholders. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise additional funds through marketing and distribution arrangements or other collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or commercialization efforts or grant rights to develop and market product candidates to third parties that we would otherwise prefer to develop and market ourselves.

***Cash Flows***

The following table summarizes our cash flows for the periods indicated:

| | Six Months Ended June 30, | |
|---|---|---|
| | 2023 | 2022 |
| | (in thousands) | |
| Net cash provided by (used in): | | |
| Operating activities | $ (11,905) | $ (8,452) |
| Investing activities | 303 | (15) |
| Financing activities | 6,229 | 1,791 |
| Net change in cash and cash equivalents | $ (5,373) | $ (6,676) |

***Operating Activities***

Cash used in operating activities for the six months ended June 30, 2023 was $11.9 million, consisting of a net loss of $6.1 million and a change in other net operating assets and liabilities of $7.8 million, partially offset by noncash charges of $2.0 million. Our change in net operating assets and liabilities primarily resulted from a $5.0 million increase in license receivable and decreases in accrued expenses and other current liabilities of $1.6 million, accounts payable of $0.5 million, deferred revenue of $0.4 million, operating lease liability of $0.4 million and prepaid expenses and other current assets of $0.2 million. The noncash charges primarily consisted of $2.9 million in stock-based compensation and $0.4 million noncash operating lease expense, partially offset by a $1.2 million change in fair value of other asset and $0.1 million gain on disposal of fixed assets.

Cash used in operating activities for the six months ended June 30, 2022 was $8.5 million, consisting of a net loss of $10.9 million, partially offset by a change in other net operating assets and liabilities of $1.4 million and noncash charges of $1.0 million. Our change in net operating assets and liabilities primarily resulted from a $3.8 million increase in accounts payable and accrued expenses and other current liabilities mainly due to increased costs associated with our KVA12123 program and the Merger as well as the timing of payments, partially offset by a $1.1 million increase in prepaid expenses and other current assets mainly due to the capitalization of direct costs related to the Merger, a $1.0 million decrease in deferred revenue mainly due to ongoing research and development services for the Phase 1 clinical trial under its license agreement with Genentech and a $0.4 million decrease in operating lease liability. The noncash charges primarily consisted of $1.0 million in stock-based compensation, $0.3 million noncash operating lease expense and $0.1 million in change in fair value measurement of notes payable, partially offset by a $0.5 million gain on debt extinguishment driven by settlement of notes payable accounted for under the fair value election.

***Investing Activities***

Cash provided by investing activities for the six months ended June 30, 2023 was $0.3 million, consisting primarily of cash received from the sale of certain property and equipment. Cash used in investing activities for the six months ended June 30, 2022 was insignificant.

***Financing Activities***

Cash provided by financing activities for the six months ended June 30, 2023 was $6.2 million, primarily related to net proceeds of $5.5 million from the Registered Offering and $0.8 million from the issuance of our common stock to investors pursuant to the Sales Agreement.

Cash provided by financing activities for the six months ended June 30, 2022 was $1.8 million, primarily related to $4.8 million in proceeds from the issuance of notes payable and $1.0 million in proceeds from the issuance of our common stock, partially offset by $4.0 million in payments of notes payable.

Debt Obligations

*Notes Payable*

As of June 30, 2023, we had outstanding notes payable in an aggregate principal amount of $779,000 at interest rates that range from 3.75% to 6%, of which $379,000 is due within the next 12 months. The principal amount of each note payable is due at a specified periodic repayment date and/or at maturity, with such dates ranging from June 2024 to on or after September 2050.

See Note 5 to our consolidated financial statements included in this Quarterly Report for additional information regarding our notes payable.

***Other Contractual Obligations and Commitments***

Our cash requirements greater than 12 months are related to other contractual obligations and commitments related to license agreements and leases.

We have entered into a number of strategic license agreements pursuant to which we have acquired rights to specific assets, technology and intellectual property. In accordance with these agreements, we are obligated to pay, among other items, future contingent payments that are dependent upon future events such as our achievement of certain development, regulatory and commercial milestones royalties, and sublicensing revenue in the future, as applicable. As of June 30, 2023, the timing and likelihood of achieving the milestones and generating future product sales, and therefore payments that may become payable to these third parties, are uncertain.

We lease office and laboratory space for our corporate headquarters in Seattle, Washington under a lease agreement that expires in July 2024. As of June 30, 2023, undiscounted future minimum lease payments of $1.0 million remain pursuant to the lease agreement.

In addition, we enter into agreements in the normal course of business with various third parties for preclinical research studies, clinical trials, testing and other research and development services. Such agreements generally provide for termination upon notice, although obligate us to reimburse vendors for any time or costs incurred through the date of termination.

**Critical Accounting Estimates**

Our management's discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses, and related disclosures. Our estimates are based on historical experience and on various 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 recording of expenses that are not readily apparent from other sources. Actual results may differ materially from these estimates. Our critical accounting estimates used in the preparation of our financial statements for the three and six months ended June 30, 2023 were consistent with those in Part II, Item 7 of our Annual Report on Form 10-K.

We believe that the accounting principles used in the preparation of our financial statements for the three and six months ended June 30, 2023 were consistent with those in Part II, Item 7 of our Annual Report on Form 10-K.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

We are a smaller reporting company, as defined in Rule 12b-2 under the Exchange Act, for this reporting period and are not required to provide the information required under this item.

**Item 4. Controls and Procedures.**

**Evaluation of Disclosure Controls and Procedures**

Prior to completion of the Merger, we were a private company and had limited accounting and financial reporting personnel and other resources with which to address our internal controls and related procedures. In connection with the audit of our financial statements for the years ended December 31, 2022 and 2021, our management and our independent registered public accounting firm identified material weaknesses in our internal control over financial reporting. In connection with the review of our financial statements for the three months ended June 30, 2023, our management and our independent registered public accounting firm identified a material weakness in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting as defined under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and by the Public Company Accounting Oversight Board (United States), such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness for the three months ended June 30, 2023 relates to accounting for complex financial instruments related to the derivative asset. The material weakness for the year ended December 31, 2022 relates to accounting for complex financial instruments related to warrants issued to certain existing stockholders. The material weaknesses for the year ended December 31, 2021 relate to segregation of duties in finance and internal technical resources for complex transactions. The material weaknesses are still present and have not been remediated.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the fiscal quarter ended June 30, 2023. Based on this evaluation and for the reasons set forth above, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective as of June 30, 2023.

We are in the process of implementing measures designed to improve our internal control over financial reporting to remediate the material weaknesses. For example, we began to address the material weaknesses by implementing certain Sarbanes-Oxley controls during the first half of 2022. In October 2022, we hired a Chief Financial Officer to enhance internal controls and address the material weaknesses and other control deficiencies identified during the 2021 audit of the financial statements. We also plan to design and implement improved processes and internal controls, including ongoing senior management review and audit committee oversight. Additionally, we plan to further develop and implement formal policies, processes and documentation procedures relating to our financial reporting, including the oversight of third-party service providers. Our actions are subject to ongoing executive management review and will also be subject to audit committee oversight.

Notwithstanding the material weaknesses in internal control over financial reporting described above, our management has concluded that our consolidated financial statements included in this Quarterly Report on Form 10-Q are fairly stated in all material respects in accordance with accounting principles generally accepted in the United States of America.

**Changes in Internal Control over Financial Reporting**

Except as disclosed above, there has been no change in our internal control over financial reporting that occurred during the first quarter of 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over current or future financial reporting.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings.

From time to time, Kineta may be a party to litigation or subject to claims incident to the ordinary course of business. Although the results of litigation and claims cannot be predicted with certainty, Kineta currently believes that the final outcome of these ordinary course matters will not have a material adverse effect on Kineta's business. Regardless of the outcome, litigation can have an adverse impact on Kineta because of defense and settlement costs, diversion of management resources and other factors. Kineta is currently not a party to any material legal proceedings.

### Item 1A. Risk Factors.

Except as set forth below, there have been no material changes to our risk factors included in our 2022 Annual Report on Form 10-K, as updated by our Quarterly Report on Form 10-Q for the quarter ended March 31, 2023. The following risk factor, together with the risks and uncertainties referenced above, should be considered carefully before making an investment decision. Any of these factors could result in a significant or material adverse effect on our results of operations or financial condition. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations. We may disclose changes to such risk factors or disclose additional risk factors from time to time in our future filings with the SEC.

***Kineta has identified material weaknesses in its internal control over financial reporting. If Kineta is unable to remedy its material weaknesses in the future, or if Kineta fails to establish and maintain effective internal controls, Kineta may be unable to produce timely and accurate financial statements. Kineta has concluded that its internal control over financial reporting is not effective as of June 30, 2023, which could adversely impact Kineta's investors' confidence and Kineta's stock price.***

Prior to completion of the Merger, Kineta was a private company and had limited accounting and financial reporting personnel and other resources with which to address its internal controls and related procedures. In connection with the audit of Kineta's financial statements for the years ended December 31, 2022 and 2021, Kineta and its independent registered public accounting firm identified material weaknesses in Kineta's internal control over financial reporting. In connection with the review of Kineta's financial statements for the three months ended June 30, 2023, Kineta's management and its independent registered public accounting firm identified a material weakness in Kineta's internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting as defined under the Exchange Act and by the Public Company Accounting Oversight Board (United States), such that there is a reasonable possibility that a material misstatement of Kineta's annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness for the three months ended June 30, 2023 relates to accounting for complex financial instruments related to the derivative asset. The material weakness for the year ended December 31, 2022 relates to accounting for complex financial instruments related to warrants issued to certain existing stockholders. The material weaknesses for the year ended December 31, 2021 relate to segregation of duties in finance and internal technical resources for complex transactions.

Kineta is in the process of implementing measures designed to improve its internal control over financial reporting to remediate these material weaknesses. For example, Kineta began to address the material weaknesses by implementing certain Sarbanes-Oxley controls during the first half of 2022. In October 2022, Kineta hired a Chief Financial Officer to enhance internal controls and address the material weaknesses and other control deficiencies identified during the audit of the financial statements. Kineta also plans to design and implement improved processes and internal controls, including ongoing senior management review and audit committee oversight. Additionally, Kineta plans to further develop and implement formal policies, processes and documentation procedures relating to its financial reporting, including the oversight of third-party service providers. The actions that Kineta is taking are subject to ongoing executive management review and will also be subject to audit committee oversight. Kineta expects to incur additional costs to remediate these material weaknesses. Kineta cannot assure you that the measures it has taken to date, together with any measures it may take in the future, will be sufficient to remediate the control deficiency that led to the material weaknesses in Kineta's internal control over financial reporting or to avoid potential future material weaknesses. In addition, prior to the Merger, neither Kineta's management nor an independent registered public accounting firm had ever performed an evaluation of Kineta's internal control over financial reporting in accordance with the provisions of the Sarbanes-Oxley Act because no such evaluation had been required. Had Kineta or its independent registered public accounting firm performed an evaluation of Kineta's internal control over financial reporting in accordance with the provisions of the Sarbanes-Oxley Act, additional material weaknesses may have been identified. If Kineta is unable to successfully remediate its existing or any future material weakness in Kineta's internal control over financial reporting, or if Kineta identifies any additional material weakness, the accuracy and timing of Kineta's financial reporting may be adversely affected, Kineta may be unable to maintain compliance with securities law requirements regarding timely filing of periodic reports in addition to applicable stock exchange listing requirements, investors may lose confidence in Kineta's financial reporting, and Kineta's stock price may decline as a result. Kineta also could become subject to investigations by Nasdaq, the SEC, or other regulatory authorities.

***We are not currently in compliance with Nasdaq's continued listing requirements. If we are unable to comply with Nasdaq's continued listing requirements, our common stock could be delisted, which could affect the price of our common stock and liquidity and reduce our ability to raise capital.***

Our common stock is currently listed on The Nasdaq Capital Market. The Nasdaq Capital Market has established certain quantitative criteria and qualitative standards that companies must meet to remain listed for trading on this market.

On June 27, 2023, the Company received written notice (the "Notice") from the Listing Qualifications Department of Nasdaq stating that the Company is not in compliance with Nasdaq Listing Rule 5550(b)(2) because the Company has not maintained a minimum Market Value of Listed Securities ("MVLS") of at least $35 million for the last 30 consecutive business days. The Notice has no immediate effect on the listing or trading of the Company's securities.

The Company has 180 calendar days from the date of the Notice, or until December 26, 2023, to regain compliance. If at any time during this 180-day period the MVLS is at least $35 million for a minimum of ten consecutive business days, Nasdaq will provide the Company with written confirmation of compliance and this matter will be closed. If the Company does not regain compliance with the MVLS requirement within the compliance period, the Company's common stock will be subject to delisting. In the event the Company receives notice that the Company's common stock is being delisted, Nasdaq's rules permit the Company to appeal the delisting determination by the Nasdaq staff to a hearings panel. The Company intends to monitor the market value of the Company's listed securities and may, if appropriate, consider available options to regain compliance with the MVLS requirement. There can be no assurance that the Company will be able to regain compliance with the MVLS requirement.

Any delisting of our common stock could adversely affect the market liquidity of our common stock and the market price of our common stock could decrease. In addition, delisting of our common stock could result in the loss of confidence by investors and adversely affect our ability to raise capital on terms acceptable to us, or at all.

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

None.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

| Exhibit Number | Description |
|---|---|
| 2.1++ | Agreement and Plan of Merger, dated June 5, 2022, by and among the Company, Kineta Operating, Inc. and Yacht Merger Sub, Inc. (filed as Exhibit 2.2 to the Company's Current Report on Form 8-K (File No. 001-37695) as filed with the SEC on June 6, 2022 and incorporated herein by reference). |
| 2.2 | Form of Amendment No. 1 to the Agreement and Plan of Merger, dated as of December 5, 2022, by and among the Company, Kineta Operating, Inc. and Yacht Merger Sub, Inc. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-37695) as filed with the SEC on December 5, 2022 and incorporated herein by reference). |
| 3.1 | Fifth Amended and Restated Certificate of Incorporation of the Company (filed as Exhibit 3.1 to the Company's Registration Statement on Form S-3 (File No. 333-228529) as filed with the SEC on November 23, 2018 and incorporated herein by reference). |
| 3.2 | Certificate of Amendment of Fifth Amended and Restated Certificate of Incorporation of the Company, dated December 22, 2020 (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-37695) as filed with the SEC on December 30, 2020 and incorporated herein by reference). |
| 3.3 | Certificate of Amendment of Fifth Amended and Restated Certificate of Incorporation of the Company, dated December 22, 2020 (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K (File No. 001-37695) as filed with the SEC on December 30, 2020 and incorporated herein by reference). |
| 3.4 | Certificate of Amendment of Fifth Amended and Restated Certificate of Incorporation of the Company, dated December 16, 2022 (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-37695) as filed with the SEC on December 22, 2022 and incorporated herein by reference). |
| 3.5 | Certificate of Amendment of Fifth Amended and Restated Certificate of Incorporation of the Company, dated December 16, 2022 (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K (File No. 001-37695) as filed with the SEC on December 22, 2022 and incorporated herein by reference). |
| 3.6 | Fourth Amended and Restated By-laws of the Company, dated December 16, 2022 (filed as Exhibit 3.3 to the Company's Current Report on Form 8-K (File No. 001-37695) as filed with the SEC on December 22, 2022 and incorporated herein by reference). |
| 4.1 | Form of Pre-Funded Warrant (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K (File No. 001-37695) as filed with the SEC on April 21, 2023 and incorporated herein by reference). |
| 4.2 | Form of Common Warrant (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K (File No. 001-37695) as filed with the SEC on April 21, 2023 and incorporated herein by reference). |
| 4.3 | Form of Wainwright Warrant (filed as Exhibit 4.3 to the Company's Current Report on Form 8-K (File No. 001-37695) as filed with the SEC on April 21, 2023 and incorporated herein by reference). |
| 10.1 | Form of Securities Purchase Agreement, dated as of April 20, 2023 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-37695) as filed with the SEC on April 21, 2023 and incorporated herein by reference). |
| 10.2 | Form of Amendment No. 4 to the Securities Purchase Agreement dated May 1, 2023, by and among the Company and each of the institutional investors named therein (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-37695) as filed with the SEC on May 2, 2023 and incorporated herein by reference). |
| 10.3 | Form of Amendment No. 5 to the Securities Purchase Agreement dated July 21, 2023, by and among the Company and each of the institutional investors named therein (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-37695) as filed with the SEC on July 21, 2023 and incorporated herein by reference). |
| 10.4+ | Second Amendment to Option and License Agreement (VISTA), dated as of May 25, 2023, by and between Gigagen, Inc. and the Company (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-37695) as filed with the SEC on May 30, 2023 and incorporated herein by reference). |
| 10.5* | Second Amendment to Option and License Agreement (CD27), dated as of December 21, 2022, by and between Gigagen, Inc. and the Company. |
| 10.6+ | Third Amendment to Option and License Agreement (CD27), dated as of May 25, 2023, by and between Gigagen, Inc. and the Company (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 001-37695) as filed with the SEC on May 30, 2023 and incorporated herein by reference). |
| 31.1* | Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1* | Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) |

* Filed herewith.

+ Portions of this Exhibit (indicated with [***]) have been omitted as the Company has determined that (i) the omitted information is not material and (ii) the omitted information is the type that the Company treats as private or confidential.

++ Certain schedules and exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished to the SEC upon request.

**SIGNATURES**

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

Kineta, Inc.

| | | |
|---|---|---|
| Date: August 11, 2023 | By: | /s/ Shawn Iadonato<br>**Shawn Iadonato, Ph.D.**<br>**Chief Executive Officer and Director**<br>**(Principal Executive Officer)** |
| Date: August 11, 2023 | By: | /s/ Keith A. Baker<br>**Keith A. Baker**<br>**Chief Financial Officer**<br>**(Principal Financial Officer)** |

# SECOND AMENDMENT TO OPTION AND LICENSE AGREEMENT

This Second Amendment to Option and License Agreement (the "**Amendment**"), effective as of December 21, 2022 (the "**Second Amendment Effective Date**") by and between GigaGen, Inc., a Delaware corporation having a place of business at 1 Tower Place, Suite 750, South San Francisco, CA 94080 ("**GigaGen**") and Kineta, Inc., a Washington corporation having a place of business at 219 Terry Avenue North, Suite 300, Seattle, WA 98109 ("**Kineta**"), amends that certain Option and License Agreement, dated June 9, 2021by and between GigaGen and Kineta as amended by that certain First Amendment to Option and License Agreement, dated July 31, 2022 (together, the "**Agreement**"). Each of GigaGen and Kineta shall be referred to herein individually as a "**Party**" and collectively as the "**Parties**". Capitalized terms not defined herein shall have the same meanings as set forth in the Agreement.

NOW, THEREFORE, in consideration of the mutual promises set forth herein, the Parties hereby agree as follows:

1. Section 1.49 of the Agreement is hereby amended by deleting in its entirety and replacing it with the following:

"**Option Term**" means the period commencing on the Effective Date and ending on December 31, 2023.

2. Except as set forth herein, all other terms and conditions of the Agreement shall remain in full force and effect.

3. This Amendment may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures were upon the same instrument.

[signature page follows]

IN WITNESS WHEREOF, duly authorized representatives of the Parties have duly executed this Amendment as of the Second Amendment Effective Date.

Signature: /s/ Carter Keller  Signature: /s/ Craig Philips

Name: Carter Keller  Name: Craig Philips

Title: CEO  Title: President

Date: 12/21/2022  Date: 12/21/2022

**Exhibit 31.1**

**CERTIFICATION PURSUANT TO**
**RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,**
**AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Shawn Iadonato, certify that:

(1)I have reviewed this Quarterly Report on Form 10-Q of Kineta, Inc.;

(2)Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3)Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4)The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a)Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b)Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c)Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d)Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5)The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a)All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b)Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2023

/s/ Shawn Iadonato
**Shawn Iadonato**
**Chief Executive Officer**
**(Principal Executive Officer)**

**Exhibit 31.2**

**CERTIFICATION PURSUANT TO**
**RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,**
**AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Keith A. Baker, certify that:

(1)I have reviewed this Quarterly Report on Form 10-Q of Kineta, Inc.;

(2)Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3)Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4)The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a)Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b)Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c)Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d)Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5)The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a)All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b)Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2023

/s/ Keith A. Baker
**Keith A. Baker**
**Chief Financial Officer**
**(Principal Financial Officer)**

**Exhibit 32.1**

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

In connection with the Quarterly Report on Form 10-Q of Kineta, Inc. (the "Company") for the three months ended June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1)The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: August 11, 2023

/s/ Shawn Iadonato
**Shawn Iadonato**
**Chief Executive Officer**

Date: August 11, 2023

/s/ Keith A. Baker
**Keith A. Baker**
**Chief Financial Officer**

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.