UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2022

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: 001-37718

F-STAR THERAPEUTICS, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**52-2386345**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
Eddeva B920 Babraham Research Campus Cambridge, United Kingdom	**CB22 3AT**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: +44-1223-497400

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

Title of Each Class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.0001 par value per share	**FSTX**	**The Nasdaq Stock Market (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 ☒ NO ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). YES ☒ NO ☐

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

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

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

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

The number of shares of Registrant's Common Stock outstanding as of September 30, 2022 was 21,981,919.

F-star Therapeutics, Inc.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

F-star Therapeutics, Inc.
Condensed Consolidated Balance Sheets
(In Thousands, Except Share and Per Share Amounts)

	September 30, 2022	December 31, 2021
	Unaudited	
Assets		
Current Assets:		
Cash and cash equivalents	$ 35,568	$ 78,549
Prepaid expenses and other current assets	5,896	3,879
Tax incentive receivable	8,145	2,311
Total current assets	49,609	84,739
Property and equipment, net	879	887
Right of use asset	2,501	3,281
Goodwill	14,117	14,898
In-process research and development and intangible assets, net	16,199	18,765
Other long-term assets	412	451
Total assets	$ 83,717	$ 123,021
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	$ 2,501	$ 3,081
Accrued expenses and other current liabilities	7,747	6,241
Term debt	1,315	—
Contingent value rights	2,286	1,907
Lease obligations, current	826	906
Total current liabilities	14,675	12,135
Long term Liabilities:		
Term debt	8,525	9,605
Contingent value rights	1,560	1,694
Lease obligations	2,012	2,723
Deferred tax liability	7	7
Total liabilities	26,779	26,164
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.0001 par value; authorized, 10,000,000 shares at September 30, 2022 and December 31, 2021; no shares issued or outstanding at September 30, 2022 and December 31, 2021	—	—
Common Stock, $0.0001 par value; authorized 200,000,000 shares at September 30, 2022 and December 31, 2021; 21,981,919 and 20,874,590 shares issued and outstanding at September 30, 2022 and December 31, 2021	2	2
Additional paid-in capital	183,310	176,808
Accumulated other comprehensive loss	1,565	(1,502)
Accumulated deficit	(127,939)	(78,451)
Total stockholders' equity	56,938	96,857
Total liabilities and stockholders' equity	$ 83,717	$ 123,021

See accompanying notes to consolidated financial statements.

F-star Therapeutics, Inc.
Condensed Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)
(In Thousands, Except Share and Per Share Amounts)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
License revenue	$ 1,125	$ 751	$ 3,676	$ 3,668
Operating expenses:				
Research and development	9,670	5,113	26,431	20,536
General and administrative	5,161	5,239	18,320	18,169
Total operating expenses	14,831	10,352	44,751	38,705
Loss from operations	(13,706)	(9,601)	(41,075)	(35,037)
Other non-operating (expense) income:				
Interest expense	(378)	(325)	(1,020)	(522)
Change in fair value of contingent value rights	(60)	(444)	(245)	(1,027)
Other (expense) income	(4,263)	(421)	(7,148)	752
Total other non-operating (expense) income	(4,701)	(1,190)	(8,413)	(797)
Net loss before income taxes	(18,407)	(10,791)	(49,488)	(35,834)
Income tax expense	—	—	—	(190)
Net loss	$ (18,407)	$ (10,791)	$ (49,488)	$ (36,024)
Basic and diluted adjusted net loss per common shares	$ (0.84)	$ (0.52)	$ (2.30)	$ (2.35)
Weighted-average number of shares outstanding, basic and diluted	21,856,193	20,617,822	21,507,219	15,300,433
Other comprehensive loss:				
Net loss	$ (18,407)	$ (10,791)	$ (49,488)	$ (36,024)
Other comprehensive (loss) income :				
Foreign currency translation	2,257	117	3,067	(65)
Total comprehensive loss	$ (16,150)	$ (10,674)	$ (46,421)	$ (36,089)

See accompanying notes to consolidated financial statements.

F-star Therapeutics, Inc.
Condensed Consolidated Statements of Stockholders' Equity
For the three months ended September 30, 2022 and 2021
(Unaudited)
(In Thousands, Except Share Amounts)

	Stockholders' Equity					
	Common Shares					
For the Three Months Ended September 30, 2022	**Number of Shares**	**Value**	**Capital in Excess of par Value**	**Accumulated Other Comprehensive (Loss) Income**	**Accumulated deficit**	**Total Stockholders' Equity**
Balance at June 30, 2022	21,584,723	$ 2	$ 181,859	$ (692)	$ (109,532)	$ 71,637
Issuance of common stock for services rendered	385,527	—	41	—	—	41
RSU vesting, net of shares repurchased to cover tax withholding	11,669	—	(36)	—	—	(36)
Share-based compensation	—	—	1,446	—	—	1,446
Equity adjustment from foreign currency translation	—	—	—	2,257	—	2,257
Net loss	—	—	—	—	(18,407)	(18,407)
Balance at September 30, 2022	21,981,919	$ 2	$ 183,310	$ 1,565	$ (127,939)	$ 56,938

	Common Shares					
For the Three Months Ended September 30, 2021	**Number of shares**	**Value**	**Capital in Excess of par Value**	**Accumulated Other Comprehensive (Loss) Income**	**Accumulated deficit**	**Total Stockholders' Equity**
Balance at June 30, 2021	20,586,562	$ 2	$ 172,895	$ (1,259)	$ (72,401)	$ 99,237
RSU vesting, net of shares repurchased to cover tax withholding	36,479	—	—	—	—	—
Share-based compensation	—	—	1,515	—	—	1,515
Equity adjustment from foreign currency translation	—	—	—	117	—	117
Net loss	—	—	—	—	(10,791)	(10,791)
Balance at September 30, 2021	20,623,041	$ 2	$ 174,410	$ (1,142)	$ (83,192)	$ 90,078

See accompanying notes to consolidated financial statements.

F-star Therapeutics, Inc.
Condensed Consolidated Statements of Stockholders' Equity
For the nine months ended September 30, 2022 and 2021
(Unaudited)
(In Thousands, Except Share Amounts)

	Stockholders' Equity					
	Common Shares					
For the Nine Months Ended September 30, 2022	**Number of Shares**	**Value**	**Capital in Excess of par Value**	**Accumulated Other Comprehensive (Loss) Income**	**Accumulated deficit**	**Total Stockholders' Equity**
Balance at December 31, 2021	20,874,590	$ 2	$ 176,808	$ (1,502)	$ (78,451)	$ 96,857
Issuance of common stock for services rendered	385,527	$ —	$ 41	$ —	$ —	$ 41
Issuance of common stock in connection with at-the-market offering, net of issuance costs	625,612	—	2,269	—	—	2,269
RSU vesting, net of shares repurchased to cover tax withholding	96,190	—	(124)	—	—	(124)
Share-based compensation	—	—	4,316	—	—	4,316
Equity adjustment from foreign currency translation	—	—	—	3,067	—	3,067
Net loss	—	—	—	—	(49,488)	(49,488)
Balance at September 30, 2022	21,981,919	$ 2	$ 183,310	$ 1,565	$ (127,939)	$ 56,938

	Common Shares					
For the Nine Months Ended September 30, 2021	**Number of Shares**	**Value**	**Capital in Excess of par Value**	**Accumulated Other Comprehensive Loss**	**Accumulated deficit**	**Total Stockholders' Equity**
Balance at December 31, 2020	9,100,117	$ 1	$ 91,238	$ (1,077)	$ (47,168)	$ 42,994
Issuance of warrants in connection with term loan	—	—	326	—	—	326
Issuance of common stock in connection with public offering, net of issuance costs	979,843	—	9,115	—	—	9,115
Issuance of common stock in connection with public offering, net of issuance costs	10,439,347	1	68,177	—	—	68,178
Equity adjustment from foreign currency translation	—	—	—	(65)	—	(65)
Stock option exercises	103,734	—	—	—	—	—
Share-based compensation	—	—	5,554	—	—	5,554
Net loss	—	—	—	—	(36,024)	(36,024)
Balance at September 30, 2021	20,623,041	$ 2	$ 174,410	$ (1,142)	$ (83,192)	$ 90,078

See accompanying notes to consolidated financial statements.

F-star Therapeutics, Inc.
Condensed Consolidated Statements of Cash Flows (Unaudited)
(In Thousands)

	For the Nine Months Ended September 30,	
	2022	**2021**
Cash flows from operating activities:		
Net loss	$ (49,488)	$ (36,024)
Adjustments to reconcile net loss to net cash used in operating activities:		
Share based compensation expense	4,316	5,554
Foreign currency (gain) loss	7,207	(66)
(Gain) loss on disposal of property, plant and equipment	(38)	(9)
Depreciation	341	435
Amortization of intangible assets	189	65
Non-cash interest	97	42
Amortization of debt issuance costs	139	69
Fair value adjustments	245	1,027
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(2,796)	356
Tax incentive receivable	(7,107)	2,083
Operating right of use asset	643	749
Accounts payable	(125)	(3,050)
Accrued expenses and other current liabilities	2,336	(3,796)
Deferred revenue	—	(305)
Operating lease liability	(654)	(400)
Other long term asset	—	(778)
Net cash used in operating activities	(44,695)	(34,048)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(282)	(658)
Purchase of intangible assets	(111)	—
Proceeds from sale of property, plant and equipment	38	15
Net cash used in investing activities	(355)	(643)
Cash flows from financing activities:		
Net proceeds from issuance of common stock	2,310	77,295
Net proceeds from term debt	—	9,753
Payment to tax authorities in connection with shares directly withheld from employees	(123)	
Net cash provided by financing activities	2,187	87,048
Net increase in cash and cash equivalents	(42,863)	52,357
Effect of exchange rate changes on cash	(118)	167
Cash and cash equivalents at beginning of period	78,549	18,526
Cash and cash equivalents at end of period	$ 35,568	$ 71,050
Supplemental disclosure of cash flow information		
Cash paid for income taxes	(84)	36
Purchases of property and equipment included in accounts payable and accrued expenses	199	—
Interest paid	782	296
Non-cash investing and financing activities:		
Additions to ROU assets obtained from new operating lease liabilities	—	1,468
Issuance of warrants	—	326

See accompanying notes to consolidated financial statements.

1. Nature of Business and Summary of Significant Accounting Policies

Nature of Business

F-star Therapeutics Inc. ("we," "F-star," or the "Company") is a clinical-stage biopharmaceutical company pioneering bispecifics in immunotherapy so more people with cancer can live longer and improved lives. F-star is committed to working towards a future free from cancer and other serious diseases, through the use of tetravalent (2+2) bispecific antibodies to create a paradigm shift in cancer treatments. The Company has four second-generation immune-oncology therapeutics in the clinic, each directed against some of the most promising immune-oncology targets in drug development, including LAG-3 and CD137. Our proprietary antibody discovery platform is protected by an extensive intellectual property estate. The Company has over 500 granted patents and pending patent applications relating to its platform technology and product pipeline. We have attracted multiple partnerships with biotechnology and pharmaceutical companies targeting significant unmet needs across several disease areas, including oncology, immunology, and indications affecting the central nervous system with over 20 programs, based on our technology, being developed by our partners. Our goal is to offer patients better and more durable benefits than currently available immune-oncology treatments by developing medicines that seek to block tumor immune evasion. Through our proprietary tetravalent, bispecific natural antibody (mAb²™) format, our mission is to generate highly differentiated medicines with monoclonal antibody-like manufacturability, good safety and tolerability.

Share Exchange Agreement

On November 20, 2020, F-star Therapeutics, Inc., formerly known as Spring Bank Pharmaceuticals, Inc. ("Spring Bank"), completed a business combination (the "Transaction") with F-star Therapeutics Limited ("F-star Ltd") in accordance with the terms of the Share Exchange Agreement, dated July 29, 2020 (the "Exchange Agreement"), by and among the Company, F-star Ltd and certain holders of capital stock and convertible notes of F-star Ltd (each a "Seller", and collectively with holders of F-star Ltd securities who subsequently became parties to the Exchange Agreement, the "Sellers"). Pursuant to the Exchange Agreement, each ordinary share of F-star Ltd outstanding immediately prior to the closing of the Transaction (the "Closing") was exchanged by the Sellers that owned such F-star Ltd shares for a number of duly authorized, validly issued, fully paid and non-assessable shares of Company common stock pursuant to the exchange ratio formula set forth in the Exchange Agreement, rounded to the nearest whole share of Company common stock (after aggregating all fractional shares of Company common stock issuable to such Seller). Also, on November 20, 2020, in connection with, and prior to completion of, the Transaction, Spring Bank effected a 1-for-4 reverse stock split of its common stock (the "Reverse Stock Split") and, following the completion of the Transaction, changed its name to F-star Therapeutics, Inc. Following the completion of the Transaction, the business of the Company became the business conducted by F-star, which is a clinical-stage immune-oncology company focused on cancer treatment through its proprietary tetravalent bispecific antibody programs. Unless otherwise noted, all references to share amounts in this report reflect the Reverse Stock Split.

Agreement and Plan of Merger

On June 22, 2022, the Company, invoX Pharma Limited, a private limited company organized under the laws of England and Wales ("Parent"), Fennec Acquisition Incorporated, a Delaware corporation and a wholly owned subsidiary of Parent ("Purchaser"), and Sino Biopharmaceutical Limited, a company organized under the laws of the Cayman Islands, entered into a definitive Agreement and Plan of Merger (the "Merger Agreement"), pursuant to which Parent, through Purchaser, commenced a tender offer (the "Offer") to acquire all of the outstanding shares of the Company's common stock, par value $0.0001 per share, at a price of $7.12 per share in cash, without interest, subject to any applicable withholding taxes. If successful, upon the terms and conditions set forth in the Merger Agreement, the Offer will be followed by a merger of Purchaser with and into the Company, with the Company continuing as the surviving corporation and as a direct wholly-owned subsidiary of Parent (the "Merger"). As previously disclosed, on September 15, 2022, the Committee on Foreign Investment in the United States ("CFIUS") notified the Company that its review of the joint voluntary notification filing (the "Notice") regarding the Merger

would continue for an additional 45 calendar days, subject to possible further extension. Pursuant to a request by CFIUS, on October 31, 2022, the parties voluntarily withdrew and immediately refiled the Notice in order to provide CFIUS with more time to complete its assessment. CFIUS's acceptance of the refiled voluntary Notice is effective as of November 1, 2022. CFIUS will have a review period of up to 45 calendar days, subject to a further 45 calendar days if extended. Specifically, the Company believes that this "pull and refile" procedure has been requested to enable CFIUS more time to determine whether and to what extent any mitigation steps should be taken. As a result of the foregoing, the expiration of the tender offer has been extended until 5:00 p.m. Eastern Time on Friday, November 18, 2022. Previously, the tender offer was scheduled to expire at 5:00 p.m., Eastern Time, on November 1, 2022. The Offer was originally scheduled to expire at one minute after 11:59 P.M., Eastern Time, on August 3, 2022. Currently, the Merger Agreement may be terminated by either party if any of the Offer conditions, including the Foreign Investment Condition (as defined in the Merger Agreement), are not satisfied or waived by invoX on or before November 19, 2022, unless the parties mutually agree to extend the "End Date" in the Merger Agreement.

The Merger Agreement includes customary termination provisions for both the Company and Parent and provides that, in connection with the termination of the Merger Agreement under specified circumstances, including termination by the Company under specified circumstances to accept and enter into a binding written definitive agreement providing for the consummation of a transaction constituting a superior offer, the Company will be required to pay to Parent a termination fee of $7.25 million.

Subject to the satisfaction of customary closing conditions, including regulatory approvals, the transaction is expected to close in the fourth quarter of 2022.

Liquidity

From our inception through September 30, 2022, we have not generated any revenue from product sales, and we have incurred significant operating losses and negative cash flows from our operations. We do not expect to generate significant revenue from sales of any products for several years, if at all.

As of September 30, 2022, we had working capital (current assets less current liabilities) of $34.9 million, an accumulated deficit of $127.9 million, cash of $35.6 million and accounts payable and accrued expenses of $10.2 million. Our future success is dependent on our ability to successfully obtain additional working capital, obtain regulatory approval for and successfully launch and commercialize our product candidates and to ultimately attain profitable operations.

On March 30, 2021, the Company entered into a Sales Agreement (the "Sales Agreement") with SVB Securities LLC with respect to an "at-the-market" offering program under which the Company could offer and sell, from time to time at its sole discretion, shares of its common stock, having an aggregate offering price of up to $50.0 million, through SVB Securities LLC as its sales agent. On May 6, 2021, the Company terminated the Sales Agreement.

On August 13, 2021, the Company entered into a new Sales Agreement (the "2021 Sales Agreement") with SVB Securities LLC with respect to an at-the-market offering program under which the Company may offer and sell, from time to time at its sole discretion, shares of its common stock having an aggregate offering price of up to $50.0 million, through SVB Securities LLC as its sales agent.

Historically, we have financed our operations primarily with proceeds from the sale and issuance of common and convertible preferred shares, proceeds from issuances in connection with a convertible note facility, proceeds received from upfront payments and development milestone payments in connection with our collaboration arrangements, payments received for research and development services and term debt. We expect to continue to use these means of financing our operations until we are able to obtain regulatory approval for and successfully commercialize one or more of our drug candidates. We cannot provide any assurance that we will obtain regulatory approval or successfully commercialize any of our current or planned future drug product candidates.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") and the rules and regulations of the U.S.

Securities and Exchange Commission (the “SEC”) for interim financial statements. Any reference in these notes to applicable guidance is meant to refer to the authoritative U.S. GAAP as found in the Accounting Standards Codification (“ASC”) and Accounting Standards Updates (“ASU”) of the Financial Accounting Standards Board (“FASB”).

The accompanying interim condensed consolidated financial statements as of September 30, 2022, and for the three and nine months ended September 30, 2022 and 2021, and information contained within the notes to these condensed consolidated financial statements, are unaudited. These unaudited interim condensed consolidated financial statements have been prepared on the same basis as the Company’s audited annual consolidated financial statements and in management's opinion contain all adjustments (including normal recurring adjustments) necessary for the fair presentation of the Company’s financial position as of September 30, 2022, results of operations for the three and nine months ended September 30, 2022 and 2021, statement of stockholders’ equity for the three and nine months ended September 30, 2022 and 2021 and its cash flows for the nine months ended September 30, 2022 and 2021. These interim condensed consolidated financial statements should be read in conjunction with the Company’s annual audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021. The results for the three and nine months ended September 30, 2022, are not necessarily indicative of the results expected for the full fiscal year or any interim period.

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of F-star Therapeutics, Inc. and its wholly owned subsidiaries. All inter-company balances and transactions between the consolidated companies have been eliminated in consolidation.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of expenses during the reporting years. Significant estimates and assumptions reflected in these condensed consolidated financial statements include, but are not limited to, the fair value of the assets and liabilities acquired in the transaction between Spring Bank and F-star Ltd, the fair value of contingent value rights, the accrual for research and development expenses, revenue recognition, fair values of acquired intangible assets and impairment review of those assets, share based compensation expense, and income and other taxes. The Company bases its estimates on historical experience, known trends and other market-specific or other relevant factors that it believes to be reasonable under the circumstances. Estimates are periodically reviewed in light of reasonable changes in circumstances, facts and experience. Changes in estimates are recorded in the period in which they become known. Actual results could differ from those estimates or assumptions.

Concentrations of credit risk and of significant suppliers

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash and cash equivalents. The Company maintains its cash and cash equivalents in financial institutions in amounts that could exceed government-insured limits. The Company does not believe it is subject to additional credit risks beyond those normally associated with commercial banking relationships.

The Company is dependent on contract research organizations to provide its clinical trials and third-party manufacturers to supply products for research and development activities in its programs. In particular, the Company relies and expects to continue to rely on a small number of manufacturers to supply its requirements for

supplies and raw materials related to these programs. These programs could be adversely affected by a significant interruption in these manufacturing services or the availability of raw materials.

Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation. Depreciation expense is recognized using the straight-line method over the estimated useful lives of the respective assets as follows:

	Estimated Useful Economic Life
Leasehold property improvements, right of use assets	Lesser of lease term or useful life
Laboratory equipment	5 years
Furniture and office equipment	3 years

Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in right-of-use ("ROU") assets, and lease obligations in the Company's consolidated balance sheets.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Company's leases do not provide an implicit rate, the Company uses an incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. This is the rate the Company would have to pay if borrowing on a collateralized basis over a similar term to each lease. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Impairment of long-lived assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When such events occur, the Company compares the carrying amounts of the assets to their undiscounted expected future cash flows. If the undiscounted cash flows are insufficient to recover the carrying value, an impairment loss is recorded for the difference between the carrying value and fair value of the asset.

License and collaboration arrangements and revenue recognition

The Company's revenues are generated primarily through license and collaboration agreements with pharmaceutical and biotechnology companies. The terms of these arrangements may include (i) the grant of intellectual property rights (IP licenses) to therapeutic drug candidates against specified targets, developed using the Company's proprietary mAb^2 bispecific antibody platform, (ii) performing research and development services to optimize drug candidates, and (iii) the grant of options to obtain additional research and development services or licenses for additional targets, or to optimize product candidates, upon the payment of option fees.

The terms of these arrangements typically include payment to the Company of one or more of the following:
non-refundable, upfront license fees; payments for research and development services; fees upon the exercise of options to obtain additional services or licenses; payments based upon the achievement of defined collaboration objectives; future regulatory and sales-based milestone payments; and royalties on net sales of future products.

The Company has adopted FASB ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606"). This standard applies to all contracts with customers, except for contracts that are within the scope of other standards, such as leases, insurance, collaboration arrangements and financial instruments. To date, the Company has entered into License and Collaboration Agreements with Denali Therapeutics, Inc. ("Denali"), Ares Trading S.A. ("Ares"), an affiliate of Merck KGaA, Darmstadt, Germany, AstraZeneca AB ("AstraZeneca"), Janssen Biotech, Inc.

("Janssen") and Takeda Pharmaceuticals, USA, Inc. (“Takeda”) which were determined to be within the scope of ASC 606.

Research and development costs

Research and development costs are expensed as incurred. Research and development expenses are comprised of costs incurred in performing clinical trials, research and development activities, including compensation expense, share-based compensation and benefits, facilities costs and laboratory supplies, depreciation, amortization and impairment expense, manufacturing expenses and external costs of outside vendors engaged to conduct preclinical development activities as well as the cost of licensing technology. Typically, upfront payments and milestone payments made for the licensing of technology are expensed as research and development in the period in which they are incurred, except for payments relating to intellectual property rights with future alternative use which will be expensed when the intellectual property is in use. Nonrefundable advance payments for goods or services to be received in the future for use in research and development activities are recorded as prepaid expenses. The prepaid amounts are expensed as the related goods are delivered or the services are performed.

Warrants

The Company accounts for warrants within stockholders equity or as liabilities based on the characteristics and provisions of each instrument. The Company evaluates outstanding warrants in accordance with ASC 480, *Distinguishing Liabilities from Equity*, and ASC 815, *Derivatives and Hedging*. If none of the criteria in the evaluation in these standards are met, the warrants are classified as a component of stockholders’ equity and initially recorded at their grant date fair value without subsequent remeasurement. Warrants that meet the criteria are classified as liabilities and remeasured to their fair value at the end of each reporting period.

Stock-Based Compensation

The Company accounts for share-based compensation in accordance with ASC 718, “Compensation – Stock Compensation” (“ASC 718”). ASC 718 requires companies to estimate the fair value of equity-based payment awards on the date of grant. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service period in the Company’s consolidated statements of operations and comprehensive loss.

Fair value measurements of financial instruments

The Company’s financial instruments consist of cash, accounts payable, Contingent Value Rights (“CVRs”) and liability classified warrants. The carrying amounts of cash and accounts payable approximate their fair value due to the short-term nature of those financial instruments. The fair value of CVRs and the liability classified warrants are remeasured to fair value each reporting period.

Net loss per share

The Company computes net loss per share in accordance with ASC Topic 260, *Earnings Per Share* (“ASC 260”) and related guidance, which requires two calculations of net (loss) income attributable to the Company’s shareholders per share to be disclosed: basic and diluted. Convertible preferred shares are considered participating securities and are included in the calculation of basic and diluted net (loss) income per share using the two-class method. In periods where the Company reports net losses, such losses are not allocated to the convertible preferred shares for the computation of basic or diluted net (loss) income.

Diluted net (loss) income per share is the same as basic net (loss) income per share for the periods in which the Company had a net loss because the inclusion of outstanding common stock equivalents would be anti-dilutive.

Income taxes

The Company accounts for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the consolidated financial statements or in the Company's tax returns. Deferred tax assets and liabilities are determined on the basis of the differences between the consolidated financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Changes in deferred tax assets and liabilities are recorded in the provision for income taxes. The Company assesses the likelihood that its deferred tax assets will be recovered from future taxable income and, to the extent it believes, based upon the weight of available evidence, that it is more likely than not that all or a portion of the deferred tax assets will not be realized, a valuation allowance is established through a charge to income tax expense. The potential recovery of deferred tax assets is evaluated by estimating the potential for future taxable profits, if any.

Research and development tax credit

As the entity located in the United Kingdom ("UK") carries out extensive research and development, and clinical trial activities, it seeks to benefit from the UK research and development tax credit cash rebate regime known as the Small and Medium-sized Enterprises R&D Tax Credit Program (the "SME Program"). Qualifying expenditures largely comprise employment costs for research staff, consumables expenses incurred under agreements with third parties that conduct research and development, preclinical activities, clinical activities and manufacturing on the Company's behalf and certain internal overhead costs incurred as part of research projects. The tax credit received in the UK pursuant to the SME Program permits companies to deduct an extra 130% of their qualifying costs from their yearly profit or loss, as well as the normal 100% deduction, to make a total 230% deduction. If the company is incurring losses, it is entitled to claim a tax credit worth up to 14.5% of the surrenderable loss. To qualify for relief under the SME Program, companies are required to employ fewer than 500 staff and have a turnover (revenue) of under €100.0 million or a balance sheet total of less than €86.0 million.

Research and development tax credits received in the UK are recorded as a reduction in research and development expenses. The UK research and development tax credit is payable to companies after surrendering tax losses and is not dependent on current or future taxable income. As a result, it is not reflected as part of the income tax provision.

Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. At each reporting date, the Company evaluates whether or not a potential loss amount or a potential loss range is probable and reasonably estimable under the provisions of the authoritative guidelines that address accounting for contingencies. The Company expenses costs as incurred in relation to such legal proceedings as general and administrative expense within the consolidated statements of operations and comprehensive loss.

Recently Issued Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the FASB or other standard setting bodies that the Company adopts as of the specified effective date. Unless otherwise discussed below, the Company does not believe that the adoption of recently issued standards have or may have a material impact on its consolidated financial statements and disclosures.

Going Concern

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates realization of assets and the satisfaction of liabilities and commitments in the normal course of business. Since inception, the Company has devoted substantially all of its efforts to business planning, research and development, pre-clinical and clinical activities, recruiting management and technical staff, and securing funding via collaborations and sales of securities. The Company has historically funded its operations with proceeds from its collaboration arrangements, sale and issuance of its common stock and preferred stock, and proceeds from the sale and issuance of convertible notes and debt financing. As of September 30, 2022, the Company had incurred

significant losses and has an accumulated deficit of $127.9 million. The Company had approximately $35.6 million in cash and cash equivalents as of September 30, 2022. The Company expects to continue to generate operating losses in the foreseeable future, particularly as the Company advances its pre-clinical activities and clinical trials for its product candidates in development. The Company plans to seek additional funding through public equity, private equity, debt financing, collaboration partnerships, or other sources. There are no assurances, however, that the Company will be successful in these endeavors.

If the Company is unable to obtain additional funding, the Company will be forced to delay, reduce or eliminate its research and development programs, or reduce product candidate expansion, which could adversely affect its business prospects. Although management continues to pursue its additional funding plans, there is no assurance that the Company will be successful in obtaining sufficient funding to continue operations on terms acceptable to the Company, if at all. Management believes that the Company's existing cash and cash equivalents at September 30, 2022 will fund our current operating plan into the second quarter of 2023. Accordingly, the Company has concluded that substantial doubt exists concerning the Company's ability to continue as a going concern for a period of at least twelve months from the date of the financial statements.

2. Net Loss Per Share

The following table presents the calculation of basic and diluted net loss per share applicable to common stockholders of the Company (in thousands, except share and per share data):

Net Loss Per Share

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Net loss	$ (18,407)	$ (10,791)	$ (49,488)	$ (36,024)
Weighted average number shares outstanding, basic and diluted	21,856,193	20,617,822	21,507,219	15,300,433
Net loss income per common, basic and diluted	$ (0.84)	$ (0.52)	$ (2.30)	$ (2.35)

Diluted net loss per share of common stock is the same as basic net loss per share of common stock for all periods presented. The following shares were excluded from the calculation of diluted net loss per share, prior to the use of the treasury stock method or if-converted method, because their effect would have been anti-dilutive for the period presented:

Potential Dilutive Shares

	For the Three and Nine Months Ended September 30,	
	2022	2021
Common stock warrants	—	128,479
Stock options and RSUs	604,642	1,313,522

3. In process R&D (IPRD) and intangible assets, net

	September 30, 2022			December 31, 2021		
	Indefinite-lived assets		Definite-lived assets	Indefinite-lived assets		Definite-lived assets
	Goodwill	In-process R&D	In-process R&D	Goodwill	In-process R&D	In-process R&D
Cost	$ 14,117	$ 16,044	$ 4,214	$ 14,898	$ 18,961	$ 4,473
Less: accumulated amortization	—	—	317	—	—	130
Less: impairments	—	3,742	—	—	4,539	—
	$ 14,117	$ 12,302	$ 3,897	$ 14,898	$ 14,422	$ 4,343

$0.1 million and $0.2 million amortization expense was recorded for the three and nine month periods ended September 30, 2022, respectively. $0.1 million was recorded for both the three and nine month periods ended September 30, 2021, respectively.

4. Property, Plant and Equipment, net

Property, plant and equipment, net consisted of the following (in thousands):

Property, Plant and Equipment, net

	September 30, 2022	December 31, 2021
Leasehold improvements	$ 220	$ 154
Laboratory equipment	1,825	2,227
Furniture and office equipment	534	162
	2,579	2,543
Less: Accumulated depreciation	1,700	1,656
	$ 879	$ 887

Depreciation expense for the nine months ended September 30, 2022 and 2021 was $0.3 million and $0.4 million, respectively.

5. Fair Value Measurements

The following tables present information about the Company's financial assets and liabilities measured at fair value on a recurring basis and indicate the level of the fair value hierarchy utilized to determine such fair values (in thousands):

	Fair Value Measurements as of September 30, 2022 Using:			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Contingent value rights	$ —	$ —	$ 3,846	$ 3,846
	$ —	$ —	$ 3,846	$ 3,846

	Fair Value Measurements as of December 31, 2021 Using:			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Contingent value rights	$ —	$ —	$ 3,601	$ 3,601
	$ —	$ —	$ 3,601	$ 3,601

The following table reflects the change in the Company's Level 3 liabilities, which consists of contingent value rights, for the nine months ended September 30, 2022 (in thousands):

Change in Level 3 Liabilities

	Contingent Value Rights
Balance at December 31, 2021	$ 3,601
Change in fair value of CVR	245
Balance at September 30, 2022	$ 3,846

The fair value of the CVR liability represents the future payments that are contingent upon the achievement of specific sale or licensing events for the Company's STimulator of INterferon Gene ("STING") product candidates,

and is based on the Company's probability-weighted discounted cash flow assessment that considers probability and timing of future payments. The fair value measurement is based on significant Level 3 unobservable inputs, such as the probability of achieving a sale, licensing agreement or development and regulatory milestones, anticipated timelines, and discount rate. The current liability of the CVR was $2.3 million at September 30, 2022 and $1.9 million at December 31, 2021, and the long term liability was $1.6 million as of September 30, 2022 and $1.7 million as of December 31, 2021. Changes in the fair value of the liability will be recognized in the consolidated statement of operations and comprehensive loss until settlement.

6. Accrued Expenses and other Current Liabilities

Accrued expenses as of September 30, 2022 and December 31, 2021, consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Clinical trial costs	$ 4,270	$ 2,834
Compensation and benefits	1,760	1,819
Professional fees	949	1,135
Other	768	453
	$ 7,747	$ 6,241

7. Term Debt

On April 1, 2021, the Company, as borrower, entered into a Venture Loan and Security Agreement (the "Loan and Security Agreement") with Horizon Technology Finance Corporation ("Horizon"), as lender and collateral agent for itself. The Loan and Security Agreement provides for four separate and independent $2.5 million term loans (Loan A, Loan B, Loan C, and Loan D, collectively, the "Term Loans"), whereby, upon the satisfaction of all the conditions to the funding of the Term Loans, each Term Loan was funded by Horizon to the Company in the following manner: (i) Loan A was delivered by Horizon to the Company by April 1, 2021, (ii) Loan B was delivered by Horizon to the Company by April 1, 2021, (iii) Loan C was delivered by Horizon to the Company by June 30, 2021, and (iv) Loan D was delivered by Horizon to the Company by June 30, 2021. The Company may only use the proceeds of the Term Loans for working capital or general corporate purposes as contemplated by the Loan and Security Agreement. On April 1, 2021, the Company drew down $5 million. On June 22, 2021, the Company drew down another $5 million under this facility. The Company incurred $0.3 million of debt issuance costs and issued $0.3 million of warrants.

The Term Loans mature on the 48-month anniversary following the funding date, therefore $5 million plus an additional fee of $0.2 million becomes due on April 1, 2025, and $5 million plus an additional fee of $0.2 million will become due on June 22, 2025. The principal balance of the Term Loan bears a floating interest. The interest rate is calculated initially and, thereafter, each calendar month as the sum of (a) the per annum rate of interest from time to time published in The Wall Street Journal as contemplated by the Loan and Security Agreement, or any successor publication thereto, as the "prime rate" then in effect, plus (b) 6.25%; provided that, in the event such rate of interest is less than 3.25%, such rate shall be deemed to be 3.25% for purposes of calculating the interest rate. Interest is payable on a monthly basis based on each Term Loan principal amount outstanding in the preceding month and at September 30, 2022 the rate applied was 11.75%.

The Company may, at its option upon at least five business days' written notice to Horizon, prepay all or any portion of the outstanding Term Loan by simultaneously paying to Horizon an amount equal to (i) any accrued and unpaid interest on the outstanding principal balance of the Term Loan so prepaid; plus (ii) an amount equal to (A) if such Term Loan is prepaid on or before the Loan Amortization Date (as defined in the Loan and Security Agreement) applicable to such Term Loan, three percent of the then outstanding principal balance of such Term Loan, (B) if such Term Loan is prepaid after the Loan Amortization Date applicable to such Term Loan, but on or before the date that is 12 months after such Loan Amortization Date, two percent of the then outstanding principal balance of such Term Loan, or (C) if such Term Loan is prepaid more than 12 months after the Loan Amortization Date applicable to such Term Loan, one percent of the then outstanding principal balance of such Term Loan; plus (iii) the

outstanding principal balance of such Term Loan; plus (iv) all other sums, if any, that had become due and payable under the Loan and Security Agreement.

The Company's debt obligation consisted of the following (in thousands):

Term Debt		
	September 30, 2022	December 31, 2021
Term Loan A and B due April 2025	$ 5,000	$ 5,000
Term Loan C and D due June 2025	5,000	5,000
Term debt	10,000	10,000
Less: Unamortized deferred issuance costs	(137)	(197)
Less: Warrant discount and interest	(23)	(198)
Total debt obligations- long term	$ 9,840	$ 9,605

8. Stockholders' Equity

Common Stock

On August 13, 2021, the Company entered into the 2021 Sales Agreement with SVB Securities LLC with respect to an ATM offering program under which the Company may offer and sell, from time to time at its sole discretion, shares of its common stock having an aggregate offering price of up to $50.0 million through SVB Securities LLC as its sales agent. During the quarter ended September 30, 2022, the Company sold no shares of common stock pursuant to the 2021 Sales Agreement.

9. Warrants

In 2019, Spring Bank, as borrower, entered into a loan and security agreement with Pontifax Medison Finance (Israel) L.P. and Pontifax Medison Finance (Cayman) L.P., as lenders, and pursuant to which Spring Bank issued to Pontifax Medison Finance GP, L.P warrants to purchase 62,500 shares of its common stock (the "Pontifax Warrants"). The Pontifax Warrants are exercisable at $8.32 per share and expire on September 19, 2025. The Company evaluated the terms of the warrants and concluded that they should be equity-classified. At September 30, 2022, there were 62,500 Pontifax warrants outstanding.

In connection with the entry into the Loan and Security Agreement (refer to Note 7), the Company issued to Horizon warrants to purchase an aggregate number of shares of the Company's common stock in an amount equal to $100,000 divided by the exercise price for each respective warrant. If at any time the Company files a registration statement relating to an offering for its own account, or the account of others, of any of its equity securities, the Company has agreed to include such number of shares underlying the warrants in such registration statement as requested by the holder. The warrants, which are exercisable for an aggregate of 42,236 shares, will be exercisable for a period of seven years at a per-share exercise price of $9.47, which is equal to the 10-day average closing price prior to January 15, 2021, the date on which the term sheet relating to the Loan and Security Agreement was entered into, subject to certain adjustments as specified in the warrant. As of September 30, 2022, there were 42,236 warrants outstanding.

A summary of the warrant activity for the nine months ended September 30, 2022, is as follows:

	Warrants Outstanding
Outstanding at December 31, 2021	104,736
Exercised	—
Issued	—
Expired	—
Outstanding at September 30, 2022	104,736

10. Stock Option Plans

Incentive Plans

The Company maintains two equity incentive plans (the "Plans") that provide for the granting of stock options, share appreciation rights, restricted shares, restricted share units, performance share units and certain other share-based awards as provided in the Plans to certain employees, members of the board of directors, consultants or other service providers of the Company, with a prescribed contractual term not to exceed ten years. As of September 30, 2022, there were 121,153 shares of common stock available for grant under the Plans. Awards granted under the Plans generally vest over a four-year period with 25% or 28% of the award vesting on the first anniversary of the commencement date and the balance vesting monthly over the remaining three years. Grants are generally awarded with a contractual terms of 10 years from the date of the grant. For certain senior members of management and directors, the board of directors approved an alternative vesting schedule. The share reserve under one of the Plans automatically increases on January 1 each year, in an amount equal to 4% of the total number of shares outstanding as of December 31 of the preceding year.

In March 2022, the Company's Compensation Committee of the board of directors approved the issuance of nonqualified stock option awards to purchase Common Stock outside of the aforementioned Plans ("Inducement Awards") to employees to induce them to accept employment with the Company. The terms and vesting conditions of Inducement Awards are the same as for options granted under the Plans.

Stock option valuation

The fair value of stock option grants is estimated using the Black-Scholes option-pricing model with the following assumptions:

	Black-Scholes Option-Pricing	
	September 30, 2022	**December 31, 2021**
Risk-free interest rate	2.84% - 3.36%	0.42% - 1.34%
Expected volatility	95.63% - 97.45%	97.18% - 98.96%
Expected dividend yield	- %	- %
Expected life (in years)	5.5 - 6.1	6.1

The table below summarizes stock option activity under the Company’s stock option plans and Inducement Awards:

Stock Option Activity				
	Number of Shares	**Weighted Average Exercise Price**	**Weighted Average Contractual Term**	**Aggregate Intrinsic Value**
			(in years)	**(in thousands)**
Outstanding as of December 31, 2021	1,098,134	$ 5.80	8.76	$ 5,808
Granted	1,074,364	4.11	10.00	(975)
Exercised	(385,527)	0.10	8.24	6,626
Forfeited and expired	(98,294)	7.92	9.34	(113)
Outstanding as of September 30, 2022	1,688,677	5.90	8.95	(1,671)
Options exercisable at September 30, 2022	415,361	8.98	8.24	(352)

The weighted average grant date fair value of options granted during the nine months ended September 30, 2022 and 2021 was $3.20 and $6.15 per share, respectively. The total fair value of options vested during the nine months ended September 30, 2022 and 2021 was $3.4 million and $4.2 million, respectively.

Restricted Stock Units

The following table summarizes the movement in the number of Restricted Stock Units ("RSUs") issued by the Company under the Plans. The table below summarizes activity relating to RSUs for the nine months ended September 30, 2022:

RSU Activity

	Restricted Stock Units	Weighted-Average Grant Date Fair Value
Total nonvested units at December 31, 2021	$ 291,886	$ 9.06
Granted	25,000	2.91
Vested	(127,605)	9.04
Total nonvested units at September 30, 2022	$ 189,281	$ 8.36

The vesting for the time-based RSUs occurs either immediately, after one year or after four years. For the nine months ended September 30, 2022 and September 30, 2021, the Company recognized approximately $0.6 million and $1.8 million in expenses related to the time-based RSUs, respectively.

Share-based Compensation

The Company recorded share-based compensation expense in the following expense categories for the three and nine months ended September 30, 2022 and 2021 of its consolidated statements of operations and comprehensive loss (in thousands):

Share-Based Compensation

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Research and development expenses	$ 500	$ 1,115	$ 1,446	$ 4,197
General and administrative expenses	946	400	2,870	1,357
	$ 1,446	$ 1,515	$ 4,316	$ 5,554

On June 22, 2022, the board of directors exercised its discretion pursuant to Section 9.8 of the 2019 Plan to allow the unvested portion of all Enterprise Management Incentive Options ("EMI Options"), to accelerate and become fully vested and exercisable as of three business days prior to the initial scheduled expiration date of the Offer, which was August 3, 2022. The expiration date of the Offer has since been extended to November 18, 2022. This was done to preserve UK employees' EMI tax status under the Merger. As such, the remaining value of the EMI Options was accelerated and recognized ratably over the accelerated period.

At September 30, 2022, there was $2.7 million of unrecognized stock-based compensation expense relating to stock options granted pursuant to the Plans, which will be recognized over the weighted-average remaining vesting period of 3.0 years.

At September 30, 2022, there was $0.6 million of unrecognized stock-based compensation expense relating to the time-based RSUs granted pursuant to the Plans, which will be recognized over the weighted-average remaining vesting period of 2.4 years.

11. Significant Agreements

License and Collaboration agreements

For the three and nine months ended September 30, 2022 and 2021, the Company had License and Collaboration agreements with Ares, Denali, Janssen AstraZeneca and Takeda. The following table summarizes the revenue

recognized in the Company's consolidated statements of operations and comprehensive loss from these arrangements (in thousands):

Revenue by Collaboration Partner

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Ares	$ —	$ —	$ 2,551	$ 2,800
Denali	—	—	—	117
AstraZeneca	—	500	—	500
Adaptate (Takeda)	1,125	251	1,125	251
Total	$ 1,125	$ 751	$ 3,676	$ 3,668

2019 License and collaboration agreement with Ares Trading S.A.

Summary

On May 14, 2019, the Company entered into a licensing and collaboration agreement ("2019 LCA") with Ares, pursuant to which the Company granted the option to enter into a worldwide, exclusive license to certain patents and know-how to develop, manufacture and commercialize two separate mAb^2 antibody products that each contain a specific Fcab and a Fab target pair (each a licensed product).

For the exclusive rights granted in relation to the first molecule, an option fee of $11.1 million was paid by Ares to the Company. Following receipt of the option fee, Ares became responsible for the development of the molecule and development, regulatory and sales-based royalties become payable to Company upon achievement of specified events.

On July 15, 2020, a deed of amendment (the "2020 Amendment") was entered into in respect of the 2019 LCA. The 2020 Amendment had two main purposes: (i) to grant additional options to acquire intellectual property rights for a third and fourth molecule; and (ii) to allow Ares to exercise its option early to acquire intellectual property rights to the second molecule included in the 2019 LCA as well as to terminate the research and development services. On execution of the amendment, an option fee of $8.5 million was paid by Ares to the Company to acquire rights to the second molecule.

As a result of the 2020 Amendment, the maximum amount payable by Ares on the achievement of certain development and regulatory milestones in the aggregate was increased to $473.9 million, and the maximum amount payable on the achievement of certain commercial milestones was increased to $292.3 million. In addition, to the extent that any product candidates covered by the exclusive licenses granted to Ares are commercialized, the Company will be entitled to receive a single digit royalty based on a percentage of net sales on a country-by-country basis.

During the nine months ended September 30, 2022, Ares paid an option fee of $2.6 million to acquire the rights to the third molecule.

During the nine months ended September 30, 2021, Ares paid an option fee of $2.8 million to acquire the rights to the fourth molecule.

Revenue recognition

Management has considered the performance obligations identified in the Ares LCA and concluded that the option for the grant of intellectual property rights is not distinct from the provision of R&D services, as the R&D services would significantly modify the early-stage intellectual property. As a result, the option for the grant of intellectual property rights and the provision of R&D services has been combined into a single performance obligation for each individual molecule included in the 2019 LCA. The Company recognized revenue using the cost-to-cost method, which it believes best depicted the transfer of control of the services 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.

The total transaction price for the 2019 LCA, was initially determined to be $15.4 million, consisting of the upfront payment for the first molecule and research and development funding for the research term for the second molecule. Variable consideration to be paid to the company upon reaching certain milestones had been excluded from the calculation, as at the inception of the contract, it was not probable that a significant reversal of revenue recognized would not occur in a subsequent reporting period.

There were two components identified in the 2020 Amendment, each of which was accounted for as a separate performance obligation. The first component, the grant of the additional options to acquire intellectual property rights for the third and fourth molecule, was deemed to be distinct, as the customer can benefit from it on its own, and it is independent of the delivery of other performance obligations in the 2019 LCA. Additionally, as the amount of consideration reflects a standalone selling price, the Company determined that the second component is accounted for as a separate contract.

The second component, which allowed the customer to exercise its option to acquire intellectual property rights to the second molecule early, is considered to be a modification of the 2019 LCA. This is because the option is not independent of the research and development services provided under the 2019 LCA, and therefore the goods and services are not distinct. All performance obligations under the 2019 LCA in respect of the second molecule were deemed to have been fully satisfied on July 15, 2020. The Company updated the transaction price to $22.4 million on execution of the 2020 Amendment, due to the addition of $8.5 million for the option exercise for the second molecule and a reduction in research and development services of $1.5 million, due to the early termination of the services.

During the nine months ended September 30, 2021, $2.6 million was recognized in relation to the option exercise to acquire intellectual property rights for the third molecule included in the 2020 Amendment.

During the nine months ended September 30, 2022, $2.8 million was recognized in relation to the option exercise to acquire intellectual property rights for the fourth molecule included in the 2020 Amendment.

No revenue was recorded in the three months ended September 30, 2022 or 2021 in relation to this contract.

License and collaboration agreement with Denali Therapeutics, Inc.

Summary

In August 2016, the Company entered into an exclusive license and collaboration agreement (the “Denali LCA”) with Denali. Under the terms of the Denali LCA, Denali was granted the right to nominate up to three Fcab targets for approval (“Accepted Fcab Targets”), within the first three years of the date of the agreement. Upon entering into the Denali LCA, Denali had selected Transferrin receptor as the first Accepted Fcab Target and paid an upfront fee of $5.5 million to the Company. In May 2018, Denali exercised its right to nominate two additional Fcab targets and identified a second Accepted Fcab Target. Denali made a one-time payment to the F-star group for the two additional Accepted Fcab Targets of $6.0 million and extended the time period for its selection of the third Accepted Fcab Target until August 2020.

Under the terms of the agreement the Company is entitled to receive contingent payments that relate to certain defined preclinical, clinical, regulatory, and commercial milestones with a maximum value of $49.5 million.

Revenue recognition

The Company has considered the performance obligations identified in the contracts and concluded that the grant of intellectual property rights is not distinct from the provision of R&D services, as the R&D services are expected to significantly modify the early-stage intellectual property. As a result, the grant of intellectual property rights and the provision of R&D services has been combined into a single performance obligation for this contract.

The initial transaction price for the first Accepted Fcab Target was deemed to be $7.1 million consisting of $5.0 million for the grant of intellectual property rights and $2.1 million for R&D services. The initial transaction price for the second Accepted Fcab Target was $5.1 million, consisting of $3.0 million for the grant of intellectual property rights and $2.1 million for R&D services. During the year ended December 31, 2019, the transaction price for the first Accepted Fcab Target was increased to $8.6 million due to achievement of a $1.5 million milestone that on initial recognition of the Denali LCA was not included in the transaction price, as it was not deemed probable that a reversal would not occur in a future reporting period.

All performance obligations were deemed to have been fully satisfied during the year ended December 31, 2019 in respect of the first Accepted Fcab Target, and during the three months ended March 30, 2021 in respect of the second Accepted Fcab Target. For the nine months ended September 30, 2022 and 2021, the Company recognized zero and $0.1 million, respectively, in respect of the second Accepted Fcab Target.

2021 Agreement with AstraZeneca

Summary

On July 7, 2021 the Company entered into a License Agreement with AstraZeneca. Under the terms of the agreement the Company has granted an exclusive license to certain patents and know-how to develop, manufacture and commercialize STING inhibitor compounds. AstraZeneca will be responsible for all future research, development and commercialization activities.

For the exclusive rights granted, an initial upfront fee of $0.5 million was paid by AstraZeneca to the Company during the three months ended September 2021. The Company is entitled to receive additional contingent near-term preclinical milestones of $11.5 million, plus maximum contingent payments that relate to certain defined development and regulatory milestones of $85.0 million and commercial milestones of $221.3 million, as well as royalty payments based upon a single digit percentage on net sales of products developed. Pursuant to the STING Antagonist CVR Agreement, 80% of net proceeds received by the Company under the License Agreement with AstraZeneca will be payable, pursuant to the Exchange Agreement, to common stockholders of Spring Bank as of November 19, 2020, immediately prior to the Closing of the Transaction.

Revenue recognition

Management has identified a single performance obligation in the contract, which is the grant of intellectual property rights.

The total transaction price was initially determined to be $0.5 million, consisting only of the upfront payment. Variable consideration to be paid to the company upon reaching certain milestones has been excluded from the calculation, as at the inception of the contract, it is not probable that a significant reversal of revenue recognized would not occur in a subsequent reporting period. The transaction price was allocated to the single performance obligation, which was deemed to be fully satisfied on the grant of intellectual property rights, and therefore the initial upfront fee was recognized at a point in time.

No revenue was recorded for this contract in the three and nine months ended September 30, 2022, while in the three and nine months ended September 30, 2021, $0.5 million was recognized in respect of this contract.

2021 License and Collaboration Agreement with Janssen Biotech, Inc.

On October 19, 2021, we entered into a license and collaboration agreement (the “Janssen Agreement”) with Janssen. The Janssen Agreement was facilitated by Johnson & Johnson Innovation.

Under the Janssen Agreement, Janssen received a worldwide exclusive license to research and develop and the option to commercialize up to five novel bispecific antibodies directed to Janssen therapeutic targets using F-star’s proprietary Fcab and mAb^2 platforms. Janssen is responsible for all research, development, and commercialization activities under the Janssen Agreement.

F-star received upfront fees of $17.5 million, and is entitled to receive near-term fees and potential further milestones of up to $1.35 billion. F-star is also eligible to receive potential tiered mid-single digit royalties on annual net sales of any products that receive regulatory approval and are commercialized using the licensed technology.

Revenue recognition

The Company assessed the arrangement in accordance with ASC 606 and concluded that Janssen is a customer based on the arrangement structure. The Company identified a single performance obligation under the arrangement

consisting of the grant of intellectual property rights at the inception of the Janssen Agreement. There are no R&D services included in the arrangement or needed for Janssen to use the technology.

Revenue is recognized as functional IP, at the point in time when control of the license is transferred.

The Company determined that the transaction price at the onset of the arrangement is the total upfront payment received in the amount of $17.5 million. The transaction price was allocated to the single performance obligation, which was deemed to be fully satisfied upon the grant of intellectual property rights, and therefore the initial upfront fee was recognized at a point in time. Separately, we also identified customer options, which include our obligations to grant an additional 18-month period to the research license granted at contract inception and to grant exploitation licenses for up to five subject mAb^2 molecules. These options do not represent a material right, as they are not offered at a significant and incremental discount, and will be recorded as separate contracts when and if they are executed.

No revenue was recorded for this contract in the nine months ended September 30, 2022 or September 30, 2021.

2021 License and Collaboration Agreement with Takeda Pharmaceuticals USA, Inc.

On July 12, 2021, we entered into an Evaluation and License Agreement (the "E&L Agreement") with Adaptate Biotherapeutics Limited ("Adaptate") under which the Company granted to Adaptate an exclusive license to certain intellectual property ("IP") to conduct research and other activities related to certain mAb^2 bispecific antibodies and the option to acquire a full license to those evaluated molecules after the evaluation period. The evaluation period is for an initial period of 12 months commencing from the effective date and can be extended for an additional 6 month period upon notice and payment of the applicable extension fee to the Company. Adaptate is responsible for all of its research, development, and commercialization activities under the E&L Agreement. The E&L Agreement was subsequently assigned to Takeda Pharmaceuticals, USA, Inc. and affiliate of Takeda Pharmaceutical Company Limited (together with its affiliates "Takeda") which acquired Adaptate.

In July 2022, F-star Therapeutics entered into an Exclusive License Agreement (the "Agreement") with Takeda. Under the terms of the Agreement, F-star grants Takeda a worldwide, exclusive, royalty-bearing license to research, develop, and commercialize bispecific antibodies against an immune-oncology target using F-star's proprietary Fcab and mAb^2 platforms. Takeda will be responsible for all research, development, and commercialization activities under the agreement. F-star will receive an upfront license fee of $1.0 million. F-star is also eligible to receive future development and commercialization milestone payments up to approximately $40.0 million over the course of the agreement if all milestones are achieved, plus single-digit percentage royalties on annual net sales.

Revenue recognition
The Company assessed the arrangement in accordance with ASC 606 and concluded that Takeda is a customer based on the arrangement structure. The Company identified a single performance obligation under the arrangement consisting of the grant of intellectual property rights. Revenue is recognized as functional IP, at the point in time when control of the license is transferred.

The Company determined that the transaction price at the onset of the agreement is the total upfront payment received in the amount of $1.0 million. The transaction price was allocated to the single performance obligation, which was deemed to be fully satisfied upon the grant of intellectual property rights on the agreement date, and therefore the initial upfront fee was recognized at a point in time.

During the three and nine months ended September 30, 2021, $0.25 million was recognized in relation to the E&L Agreement.

During the three and nine months ended September 30, 2022, $1.125 million was recognized in relation to the option exercise to granting of the exclusive license grant.

Summary of Contract Assets and Liabilities

Up-front payments and fees are recorded as deferred revenue upon receipt or when due until such time as the Company satisfies its performance obligations under these arrangements. A contract asset is a conditional right to consideration in exchange for goods or services that the Company has transferred to a customer. Amounts are recorded as accounts receivable when the Company's right to consideration is unconditional.

There were no contract assets or liabilities recorded in the Condensed Consolidated Balance Sheets at September 30, 2022 and December 31, 2021.

12. Commitments and Contingencies

Lease Obligations

On January 27, 2021, the Company signed an operating lease for three years for its corporate headquarters in Cambridge, UK. The Company also has leases for the former Spring Bank headquarters and laboratory space in Hopkinton, Massachusetts which are or were being subleased. One of the two leases expired on May 31, 2021 and the remaining lease has a remaining term of approximately 6.1 years for its former principal office and laboratory space, which includes an option to extend the lease for up to 5 years. The Company's former headquarters location is being subleased through the remainder of the lease term.

Operating lease costs under the leases for the nine months ended September 30, 2022, and 2021 were approximately $0.7 million and $0.8 million.

The following table summarizes the Company's maturities of operating lease liabilities as of September 30, 2022 (in thousands):

Maturities of Operating Lease Liabilities

Periods		
For the period October 1, 2021 to December 31, 2022	$	206
2023		829
2024		393
2025		382
2026		372
Thereafter		657
Total lease payments	$	2,839

Sublease

The Company subleases the former Spring Bank offices in Hopkinton, Massachusetts. Operating sublease income under operating lease agreements for the nine months ended September 30, 2022, and 2021 was $0.5 million and $0.4 million. This sublease has a remaining lease term of 6.1 years. Future expected cash receipts from our sublease as of September 30, 2022, are as follows (in thousands):

Future Expected Cash Receipts From Sublease

Period		
For the period October 1, 2021 to December 31, 2022	$	116
2023		474
2024		486
2025		498
2026		511
Thereafter		970
Total sublease receipts	$	3,055

Service Agreements

As of September 30, 2022, the Company had contractual commitments of $8.5 million with a contract manufacturing organization ("CMO") for activities that are ongoing or are scheduled to start between three and nine months of the date of the statement of financial position. Under the terms of the agreement with the CMO, the Company is committed to pay for some activities if those activities are cancelled up to three, six or nine months prior to the commencement date.

13. Subsequent Events

Certain Litigation

On July 12, July 18, July 20, and July 22, 2022, four purported stockholders of the Company filed separate lawsuits against the Company and certain of its current and former directors and officers in the federal district court for the Southern District of New York, captioned Mark Diebolt v. F-star Therapeutics, Inc., et al., Case No. 1:22-cv-05941 (the "Diebolt Complaint"), Amber Johnson v. F-star Therapeutics, Inc., et al., Case No. 1:22-cv-06103 (the "Johnson Complaint"), Jacob Wheeler v. F-star Therapeutics, Inc., et al., Case No. 1:22-cv-00950 (the "Wheeler Complaint"), and Sam Carlisle v. F-star Therapeutics, Inc., et al., Case No. 1:22-cv-06253 (the "Carlisle Complaint," and together with the Diebolt Complaint, Johnson Complaint, and Wheeler Complaint, the "Complaints"), respectively. The Johnson Complaint, Wheeler Complaint, and Carlisle Complaint have each been voluntarily dismissed, without prejudice. The only complaint remaining, the Diebolt Complaint, alleges violations of Sections 14(d) and 14(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rule 14d-9 promulgated thereunder and Section 20(a) of the Exchange Act. The Diebolt Complaint alleges that the Schedule 14D-9 Solicitation / Recommendation Statement filed by the Company on July 7, 2022 is materially incomplete and misleading and seek to enjoin the tender offer until the purported deficiencies in the 14D-9 are corrected, or alternatively, seek monetary damages if the tender offer is consummated. The plaintiff also seeks fees and costs incurred in bringing the Diebolt Complaint. The defendants believe the claims asserted in the Diebolt Complaint are without merit.

The Company has also received demand letters from eight purported shareholders (collectively, the "Demand Letters") separately requesting that the Company provide additional disclosures in connection with the Merger.

The Company and the defendants named in the Complaint and the Demand Letters believe that the claims asserted in the Complaints and the Demand Letters are without merit.

Additional lawsuits arising out of or relating to the tender offer may be filed and other demand letters may be received in the future. If additional similar complaints are filed or demand letters are received, absent new or different allegations that are material, the Company will not necessarily announce such additional filings.

From time to time, we may become involved in additional legal proceedings arising in the ordinary course of our business. We are not presently a party to any material litigation.

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

The following information should be read in conjunction with the unaudited financial information and the notes thereto included in this Quarterly Report on Form 10-Q and the consolidated financial statements and notes thereto for the year ended December 31, 2021, and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, contained in our Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission (the "SEC") on March 15, 2022.

Our actual results and the timing of certain events may differ materially from the results discussed, projected, anticipated, or indicated in any forward-looking statements due to various important factors, risks and uncertainties, including, but not limited to, those set forth under "Forward-Looking Statements" included elsewhere in this Quarterly Report on Form 10-Q or under "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021 filed with the SEC on March 15, 2022, as may be updated by Part II, Item 1A, Risk Factors of our subsequently filed Quarterly Reports on Form 10-Q. We caution our readers that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate may differ materially from those expressed or implied by the forward-looking statements contained in this Quarterly Report on Form 10-Q.

We caution readers not to place undue reliance on any forward-looking statements made by us, which speak only as of the date they are made. We disclaim any obligation, except as specifically required by law and the rules of the SEC, to publicly update or revise any such statements to reflect any change in our expectations or in events, conditions or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those set forth in the forward-looking statements.

Proposed acquisition by invoX Pharma

On June 22, 2022, F-star, invoX Pharma Limited, a private limited company organized under the laws of England and Wales ("Parent" or "invoX"), Fennec Acquisition Incorporated, a Delaware corporation and a wholly owned subsidiary of Parent ("Purchaser"), and Sino Biopharmaceutical Limited, a company organized under the laws of the Cayman Islands ("Guarantor"), entered into a definitive Agreement and Plan of Merger (the "Merger Agreement"), pursuant to which Parent, through Purchaser, commenced a tender offer (the "Offer") to acquire all of the outstanding shares of the Company's common stock, par value $0.0001 per share, at a price of $7.12 per share in cash, without interest, subject to any applicable withholding taxes. If successful, upon the terms and conditions set forth in the Merger Agreement, the Offer will be followed by a merger of Purchaser with and into the Company, with the Company continuing as the surviving corporation and as a direct wholly-owned subsidiary of Parent (the "Merger").

As previously disclosed, on September 15, 2022, the Committee on Foreign Investment in the United States ("CFIUS") notified the Company that its review of the joint voluntary notification filing (the "Notice") regarding the Merger would continue for an additional 45 calendar days, subject to possible further extension. Pursuant to a request by CFIUS, on October 31, 2022, the parties voluntarily withdrew and immediately refiled the Notice in order to provide CFIUS with more time to complete its assessment. CFIUS's acceptance of the refiled voluntary Notice is effective as of November 1, 2022. CFIUS will have a review period of up to 45 calendar days, subject to a further 45 calendar days if extended. Specifically, the Company believes that this "pull and refile" procedure has been requested to enable CFIUS more time to determine whether and to what extent any mitigation steps should be taken. As a result of the foregoing, the expiration of the tender offer has been extended until 5:00 p.m. Eastern Time on Friday, November 18, 2022. Previously, the tender offer was scheduled to expire at 5:00 p.m., Eastern Time, on November 1, 2022. The Offer was originally scheduled to expire at one minute after 11:59 P.M., Eastern Time, on August 3, 2022. Currently, the Merger Agreement may be terminated by either party if any of the Offer conditions, including the Foreign Investment Condition (as defined in the Merger Agreement), are not satisfied or waived by invoX on or before November 19, 2022, unless the parties mutually agree to extend the "End Date" in the Merger Agreement.

The Merger Agreement includes customary termination provisions for both the Company and Parent and provides that, in connection with the termination of the Merger Agreement under specified circumstances, including termination by the Company under specified circumstances to accept and enter into a binding written definitive agreement providing for the consummation of a transaction constituting a superior offer, the Company will be required to pay to Parent a termination fee of $7.25 million.

Subject to the satisfaction of customary closing conditions, including regulatory approvals, the transaction is expected to close in the fourth quarter of 2022.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements of historical facts, contained in this Quarterly Report on Form 10-Q, including statements regarding our strategy, future operations, future financial position, projected costs, prospects, plans and objectives of management, are forward-looking statements. In some cases, you can identify forward-looking statements by terms including, but not limited to, "may," "likely," "will," "should," "would," "design," "expect," "seek," "plan," "anticipate," "could," "intend," "target," "project," "believe," "estimate," "predict," "potential" or "continue" or the negative of these terms or other similar expressions.

These forward-looking statements include, but are not limited to, statements about or risks related to:

- our ability to consummate the Merger and the timing of the closing of the Merger, including the satisfaction to conditions to closing of the Merger within the expected timeframe or at all;
- the outcome of any legal proceedings that may be instituted against the parties and others related to the Merger Agreement;
- the occurrence of any event, change or other circumstance or condition that could give rise to the termination of the Merger Agreement;
- unanticipated difficulties or expenditures relating to the Merger,
- the response of our collaborators or other parties to the announcement of the Merger;
- the response of Company stockholders to the Merger Agreement;
- the accuracy of our estimates regarding expenses, revenues, uses of cash, cash equivalents and investment securities, capital requirements and the need for additional financing;
- our expectations regarding our research, development and commercialization of our product candidates, including FS118, FS222, FS120 and SB 11285;
- the duration and severity of the COVID-19 pandemic and its impact on our business, including the impact of COVID-19 on the research, development and commercialization of our product candidates and our ability to adapt our approach as appropriate;
- the supply and availability of and demand for our product candidates;
- the initiation, cost, timing, progress and results of our development activities, non-clinical studies and clinical trials;
- the timing of and our ability to obtain and maintain regulatory approval, or submit an application for regulatory approval, of our product candidates, including FS118, FS222, FS120 and SB 11285, and any product candidates that we may develop, and any related restrictions, limitations, and/or warnings in the label of any approved product candidates;
- our plans to research, develop and commercialize our current and future product candidates, including FS118, FS222, FS120 and SB 11285;
- the election by any collaborator to pursue research, development and commercialization activities;
- our ability to obtain future reimbursement and/or milestone payments from our collaborators;
- our ability to attract collaborators with development, regulatory and commercialization expertise;
- our ability to obtain and maintain intellectual property protection for our product candidates;

- the size and growth of the markets for our product candidates, including FS118, FS222, FS120 and SB 11285, and our ability to serve those markets;
- the rate and degree of market acceptance of any future products;
- the success of competing drugs that are or become available;
- regulatory developments in the United States, European Union and other countries and regulatory bodies;
- the performance of our third-party suppliers and manufacturers and our ability to obtain alternative sources of raw materials;
- our ability to obtain additional financing;
- our use of the proceeds from our securities offerings;
- any restrictions on our ability to use our net operating loss carryforwards;
- our exposure to investment risk, interest rate risk and capital market risk; and
- our ability to attract and retain key scientific, management or sales and marketing personnel, including any potential difficulties in employee retention as a result of the announcement and pendency of the Merger.

You should read this Quarterly Report on Form 10-Q and the documents that we have filed as exhibits to this Quarterly Report on Form 10-Q completely and with the understanding that our actual future results may be materially different from what we expect. You should also read carefully the factors described in "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021, as filed with the SEC on March 15, 2022, to better understand the risks and uncertainties inherent in our business and underlying any forward-looking statements. You are advised, however, to consult any further disclosures we make on related subjects in our subsequent Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, press releases, and our website. Any forward-looking statements that we make in this Quarterly Report on Form 10-Q speak only as of the date of this Quarterly Report on Form 10-Q, and we undertake no obligation to update such statements to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect the occurrence of unanticipated events.

Overview

F-star Therapeutics, Inc. ("we", "F-star" or the "Company") is a clinical-stage biopharmaceutical company pioneering bispecifics in immunotherapy so more people with cancer can live longer and improved lives. F-star is committed to working towards a future free from cancer and other serious diseases, through the use of tetravalent (2+2) bispecific antibodies to create a paradigm shift in cancer treatments. The Company has four second-generation immune-oncology therapeutics in the clinic, each directed against some of the most promising immune-oncology targets in drug development, including LAG-3 and CD137. F-star's proprietary antibody discovery platform is protected by an extensive IP estate. F-star has over 500 granted patents and pending patent applications relating to its platform technology and associated product pipeline. The Company has attracted multiple partnerships with biopharma targeting the significant unmet needs across several disease areas, including oncology, immunology, and indications affecting the central nervous system with over 20 programs being developed by our partners using our technology. F-star's goal is to offer patients better and more durable benefits than currently available immune-oncology treatments by developing medicines that seek to block tumor immune evasion. Through its proprietary tetravalent, bispecific natural antibody (mAb^{2}™) format, F-star's mission is to generate highly differentiated medicines with monoclonal antibody-like manufacturability, good safety and tolerability. With four distinct binding sites in a natural human antibody format, we believe our proprietary technology will overcome many of the

challenges facing current immune-oncology therapies, including other bispecific formats, due to the strong pharmacology enabled by tetravalent bispecific binding.

Our Programs

F-star's most advanced product candidate, FS118, is currently being evaluated in proof-of-concept Phase 2 trials in PD-1/PD-L1 acquired resistance head and neck cancer patients and in checkpoint inhibitor ("CPI") naïve non-small cell lung cancer ("NSCLC") and diffuse large B-cell lymphoma ("DLBCL") patients. FS118 is a tetravalent mAb^2 bispecific antibody targeting two receptors, PD-L1 and LAG-3, both of which are validated targets in immune-oncology. Phase 1 data from 43 heavily pre-treated patients with advanced cancer, who have failed PD-1/PD-L1 therapy, showed that administration of FS118 was well-tolerated with no dose limiting toxicities up to 20 mg/kg. In addition, a disease control rate ("DCR"), defined as either a complete response, partial response or stable disease, of 49% (19 out of 39) was observed in patients receiving dose levels of FS118 of 1mg/kg or greater. In acquired resistance patients, the DCR was 55% (17 out of 31) in patients receiving 1 mg/kg or greater and long-term (more than six months) disease control was observed in six of these patients. In August 2022, we reported that the futility hurdle for the initial of the trial in acquired resistance head and neck cancer patients was cleared. We continue to enroll patients as part of this proof of concept trial. We expect to provide a further update in the first half of 2023. In parallel, we plan to further study head and neck cancer patients in order to assess FS118 in combination regimens with potential for registration.

Data reported during the first half of 2021, from a randomized Phase 3 trial conducted by another company in patients with previously untreated, locally advanced or metastatic melanoma provides clinical validation for the combination of LAG-3 and PD-1 inhibition. This clinical benefit in targeting PD-1 and LAG-3 gives us reason to believe that FS118 has potential to benefit patients not only with acquired resistance, but also in preventing resistance in patients receiving PD-1 monotherapy for the first time. With respect to the latter, we initiated a clinical trial of FS118 in CPI-naïve patients in biomarker enriched NSCLC and DLBCL populations in late 2021 and continue to enroll into these cohorts.

F-star's second product candidate, FS222, aims to improve outcomes particularly in patients with tumors that express low levels of PD-L1 and is a mAb^2 bispecific antibody that is designed to target both the costimulatory CD137 receptor and the inhibitory PD-L1 ligand, which are co-expressed in many tumor types. The Phase 1 clinical trial evaluating FS222 in patients with advanced cancers is ongoing. We believe there is a strong rationale to combine FS222 with other anti-cancer agents, and this can be done within the Phase 1 study. The accelerated dose titration was completed in the second half of 2021 and in August 2022 we reported that we have seen emerging clinical anti-tumor activity with a tolerability profile typical of checkpoint inhibitors. Identification of optimal patient groups, dose and schedule is on-going. We expect to provide an update on the Phase 1 trial and report safety, biomarker and preliminary efficacy data at a scientific conference in the second half of 2022.

F-star's third product candidate, FS120, aims to improve checkpoint inhibitor and chemotherapy outcomes and is a mAb^2 bispecific antibody that is designed to bind to and stimulate OX40 and CD137, two proteins found on the surface of T cells that both function to enhance T cell activity. F-star is developing FS120 alone and in combination with PD-1 therapy for the treatment of tumors where PD-1 inhibitors are approved, and which have been associated with co-expression of OX40 and CD137 in the tumor microenvironment. The Phase 1 clinical trial in patients with advanced cancers is ongoing: we completed the accelerated dose titration phase during the second half of 2021 and initiated a combination of FS120 and the PD-1 inhibitor, pembrolizumab, in mid- 2022. We are continuing further dose escalation to determine an optimal dosing regimen. Pembrolizumab is supplied under a clinical trial collaboration and supply agreement with Merck & Co. In November 2022, our collaborators at the University of Cambridge presented a pre-clinical update on the novel impact of FS120 in reprogramming and destabilising Tregs which is complementary mechanism of action to PD-1 inhibition.

SB 11285, which F-star acquired pursuant to a business combination with Spring Bank Pharmaceuticals, Inc. ("Spring Bank"), is a next generation cyclic dinucleotide STimulator of INterferon Gene ("STING") agonist designed to improve checkpoint inhibitor outcomes as an immunotherapeutic compound for the treatment of selected cancers. SB 11285 appeared to be well tolerated both alone and in combination with atezolizumab across all dose levels tested to-date, including five dose levels as monotherapy and three dose levels as a combination. Initial analysis showed that pharmacokinetics were dose linear and in-line with the predicted profile for rapid cellular uptake, a characteristic of second generation STING agonists. F-star is continuing with further dose-escalation and

in parallel pursuing strategic business development opportunities for SB 11285. We expect to report an update on this study in early 2023.

Share Exchange Agreement

On November 20, 2020, the Company, formerly known as Spring Bank, completed a business combination (the "Transaction") with F-star Therapeutics Limited ("F-star Ltd") in accordance with the terms of the Share Exchange Agreement, dated July 29, 2020 (the "Exchange Agreement"), by and among the Company, F-star Ltd and certain holders of the capital stock and convertible notes of F-star Ltd (each a "Seller", and collectively with holders of F-star Ltd securities who subsequently became parties to the Exchange Agreement, the "Sellers"). Pursuant to the Exchange Agreement, each ordinary share of F-star Ltd outstanding immediately prior to the closing of the Transaction (the "Closing") was exchanged by the Sellers that owned such F-star Ltd shares for a number of duly authorized, validly issued, fully paid and non-assessable shares of Company common stock pursuant to an exchange ratio formula as set forth in the Exchange Agreement (the "Exchange Ratio"), rounded to the nearest whole share of Company common stock (after aggregating all fractional shares of Company common stock issuable to such Seller). Also, on November 20, 2020, in connection with, and prior to completion of, the Transaction, Spring Bank effected a 1-for-4 reverse stock split of its common stock (the "Reverse Stock Split") and, following the completion of the Transaction, changed its name to F-star Therapeutics, Inc. Following the completion of the Transaction, the business of the Company became the business conducted by F-star, which is a clinical-stage immune-oncology company focused on cancer treatment through its proprietary tetravalent bispecific antibody programs. Unless otherwise noted, all references to share amounts in this report reflect the Reverse Stock Split.

Under the terms of the Exchange Agreement, at the Closing, Spring Bank issued an aggregate of 4,620,618 shares of its common stock to F-star Ltd stockholders, based on an Exchange Ratio of 0.1125 shares of Spring Bank common stock for each F-star Ltd ordinary share, stock option and restricted stock unit ("RSU") outstanding immediately prior to the Closing. The Exchange Ratio was determined through arms-length negotiations between Spring Bank and F-star Ltd pursuant to a formula set forth in the Exchange Agreement.

Pursuant to the Exchange Agreement, immediately prior to the Closing, certain investors in F-star Ltd purchased $15.0 million of F-star Ltd ordinary shares (the "Pre-Closing Financing"). These ordinary shares of F-star Ltd were then exchanged at the Closing for shares of the Company's common stock in the Transaction at the Exchange Ratio.

Pursuant to the Exchange Agreement, all outstanding options to purchase Spring Bank common stock were accelerated immediately prior to the Closing and each outstanding option with an exercise price greater than the closing price of the stock on the Closing Date was exercised in full and all other outstanding options to purchase Company common stock were cancelled effective as of the Closing Date.

Immediately following the Reverse Stock Split and the Closing, there were approximately 4,449,559 shares of Spring Bank common stock outstanding. Following the Closing, the F-star Ltd stockholders beneficially owned approximately 53.7% of the combined company's common stock, and the existing stockholders of Spring Bank beneficially owned approximately 46.3% of the combined company's common stock. Concurrently with the execution of the Exchange Agreement, certain officers and directors of Spring Bank and F-star Ltd and certain stockholders of F-star Ltd entered into lock-up agreements, pursuant to which they agreed to certain restrictions on transfers of any shares of the Company's common stock for the 180-day period following the Closing, other than the shares of the Company's common stock received in exchange for ordinary shares of F-star Ltd subscribed for in the Pre-Closing Financing and pursuant to certain other limited exceptions.

In addition, at the Closing, Spring Bank, F-star Ltd, a representative of Spring Bank stockholders prior to the Closing, and Computershare Trust Company N.A., as the Rights Agent, entered into a STING Agonist Contingent Value Rights Agreement (the "STING Agonist CVR Agreement"). Pursuant to the Exchange Agreement and the STING Agonist CVR Agreement, each pre-Reverse Stock Split share of Spring Bank common stock held by stockholders as of the record date on November 19, 2020, immediately prior to the Closing, received a dividend of one contingent value right ("CVR") ("STING Agonist CVR"), payable on a pre-Reverse Stock Split basis, entitling such holders to receive, in connection with certain transactions involving proprietary STING agonist compound designated as SB 11285 occurring on or prior to the STING Agonist CVR Expiration Date (as defined below) that resulted in aggregate Net Proceeds (as defined in the STING Agonist CVR Agreement) at least equal to the Target

Payment Amount (as defined below), an aggregate amount equal to the greater of (i) 25% of the Net Proceeds received from all CVR Transactions (as defined in the STING Agonist CVR Agreement) and (ii) an aggregate amount equal to the product of $1.00 and the total number of shares of Company common stock outstanding as of such record date (not to exceed an aggregate amount of $18.0 million) (the "Target Payment Amount").

The CVR payment obligation expires on the later of 18 months following the Closing or the one-year anniversary of the date of the final database lock of the STING clinical trial (as defined in the STING Agonist CVR Agreement) (the "STING Agonist CVR Expiration Date"). The final database lock of the STING clinical trial is still to be determined. The STING Agonist CVRs are not transferable, except in certain limited circumstances, are not certificated or evidenced by any instrument, do not accrue interest and are not registered with the SEC or listed for trading on any exchange. Until the STING Agonist CVR Expiration Date, subject to certain exceptions, the Company is required to use commercially reasonable efforts to (a) complete the STING Trial and (b) pursue a CVR Transaction. The STING Agonist CVR Agreement became effective upon the Closing and, unless terminated earlier in accordance with its terms, will continue in effect until the STING Agonist CVR Expiration Date the payment or all CVR payment amounts are paid pursuant to their terms.

At the Closing, Spring Bank, F-star Ltd, a representative of Spring Bank stockholders prior to the Closing, and Computershare Trust Company N.A., as the Rights Agent, also entered into a STING Antagonist Contingent Value Rights Agreement (the "STING Antagonist CVR Agreement"). Pursuant to the Exchange Agreement and the STING Antagonist CVR Agreement, each share of common stock held by Spring Bank stockholders as of November 19, 2020, immediately prior to the Closing, received a dividend of one CVR ("STING Antagonist CVR") entitling such holders to receive, in connection with the execution of a potential development agreement (the "Approved Development Agreement") and certain other transactions involving proprietary STING antagonist compounds occurring on or prior to the STING Antagonist CVR Expiration Date (as defined below) equal to: 80% of all net proceeds (as defined in the STING Antagonist CVR Agreement) received by the Company after the Closing pursuant to (i) the Approved Development Agreement, if any, and (ii) all CVR Transactions (as defined in the STING Antagonist CVR Agreement) entered into prior to the STING Antagonist CVR Expiration Date.

On July 7, 2021, we entered into a License Agreement with AstraZeneca. Under the terms of the agreement, the Company granted an exclusive license to certain patents and know-how to develop, manufacture and commercialize STING inhibitor compounds. AstraZeneca is responsible for all future research, development and commercialization activities.

For the exclusive rights granted, an initial upfront fee of $0.5 million was paid by AstraZeneca to the Company. The Company is entitled to receive additional contingent near-term preclinical milestones of $11.5 million, plus maximum contingent payments that relate to certain defined development and regulatory milestones of $96.5 million and commercial milestones of $221.3 million, as well as royalty payments based upon a single digit percentage on net sales of products developed. Pursuant to the STING Antagonist CVR Agreement, 80% of net proceeds received by the Company under the License Agreement with AstraZeneca are payable, pursuant to the Exchange Agreement, to common stockholders of Spring Bank as of November 19, 2020.

The STING Antagonist CVRs are not transferable, except in certain limited circumstances, are not certificated or evidenced by any instrument, do not accrue interest, and are not registered with the SEC or listed for trading on any exchange. Until the STING Antagonist CVR Expiration Date, subject to certain exceptions, the Company is required to use commercially reasonable efforts to (a) consummate the Approved Development Agreement, (b) to perform the terms of the Approved Development Agreement and (c) pursue CVR Transactions. The STING Antagonist CVR Agreement became effective upon the Closing and, unless terminated earlier in accordance with its terms, will continue in effect until the STING Antagonist CVR Expiration Date or all CVR payment amounts are paid pursuant to their terms. On July 7, 2021, the Company entered into a License Agreement with AstraZeneca under which AstraZeneca will receive global rights to research, develop and commercialize next generation STING inhibitor compounds. Under the terms of the agreement, AstraZeneca is granted exclusive access to and will be responsible for all future research, development and commercialization of the STING inhibitor compounds. F-star is eligible to receive upfront and near-term payments of up to $12 million upon meeting certain milestones. In addition, F-star will be eligible for development and sales milestone payments of over $300 million, as well as single digit percentage royalty payments. Payments received by F-star are subject to a CVR agreement, under which 80% will

be payable to stockholders of F-star that were previously stockholders of Spring Bank prior to the business combination between F-star and Spring Bank.

The acquisition-date fair value of the CVR liability represents the future payments that are contingent upon the achievement of sale or licensing for the product candidates. The fair value of the contingent consideration acquired of $2.5 million as of December 31, 2021, and $3.5 million as of September 30, 2022, is based on the Company's probability-weighted discounted cash flow assessment that considers probability and timing of future payments. The fair value measurement is based on significant Level 3 unobservable inputs such as the probability of achieving a sale or licensing agreement, anticipated timelines, and discount rate. Changes in the fair value of the liability will be recognized in the consolidated statement of operations and comprehensive loss until settlement. For the three months ended September 30, 2022, the estimated fair value increased to $3.5 million which resulted in a $0.4 million charge on the Consolidated Statements of Operations and Comprehensive Loss.

F-star Ltd was determined to be the accounting acquirer based on an analysis of the criteria outlined in ASC 805 and the facts and circumstances specific to the Transaction, including the fact that immediately following the Transaction: (1) F-star Ltd shareholders owned the majority of the voting rights of the combined company; (2) F-star Ltd designated a majority (five of eight) of the initial members of the board of directors of the combined company; and (3) F-star Ltd senior management held the key positions in senior management of the combined company. As a result, upon consummation of the Transaction, the historical financial statements of F-star Ltd became the historical financial statements of the combined organization.

Impact of COVID-19 on our Business

The continued spread of the COVID-19 pandemic has been evolving, and to date has led to the implementation of various responses, including government-imposed quarantines, travel restrictions and other public health safety measures.

Management continues to closely monitor the impact of the COVID-19 pandemic on all aspects of the business, including how it will impact operations and the operations of customers, vendors and business partners. The extent to which COVID-19 impacts the future business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted with confidence at this time, such as new information that may emerge concerning the emergence or severity of other strains of COVID-19 or the effectiveness of actions to vaccinate against or contain COVID-19 or treat its impact, among others. If we or any of the third parties with whom we engage, however, were to experience shutdowns or other business disruptions, the ability to conduct business in the manner and on the timelines presently planned could be materially and negatively affected, which could have a material adverse impact on business, results of operations and financial condition. The estimates of the impact on our business may change based on new information that may emerge concerning COVID-19 and the actions to contain it or treat its impact and the economic impact on local, regional, national, and international markets.

Management has not identified any triggering events which would result in any significant impairment losses in the carrying values of assets as a result of the pandemic and are not aware of any specific related event or circumstance that would require management to revise estimates reflected in our consolidated financial statements.

Components of Operating Results

License revenue

To date, we have not generated any revenue from product sales, and we do not expect to generate any revenue from product sales for the foreseeable future. Our revenue consists of collaboration revenue under our license and collaboration agreements with Ares, Denali, AstraZeneca, Janssen and others, including amounts that are recognized related to upfront payments, milestone payments, option exercise payments, and amounts due to us for research and development services. In the future, revenue may include new collaboration agreements, additional milestone payments, option exercise payments, and royalties on any net product sales under our collaborations. We expect that any revenue we generate will fluctuate from period to period as a result of the timing and amount of license, research and development services, and milestone and other payments.

Operating Expenses

Research and development costs

Research and development costs are expensed as incurred. Research and development expenses are comprised of costs incurred in performing clinical trials, research and development activities, including salaries, share-based compensation expense and benefits, facilities costs and laboratory supplies, depreciation, amortization and impairment expense, manufacturing expenses and external costs of outside vendors engaged to conduct preclinical development activities and clinical trials as well as the cost of licensing technology. Typically, upfront payments and milestone payments made for the licensing of technology are expensed as research and development in the period in which they are incurred, except for payments relating to intellectual property rights with future alternative use which will be expensed when the intellectual property is in use. Non-refundable advance payments for goods or services to be received in the future for use in research and development activities are recorded as prepaid expenses. The prepaid amounts are expensed as the related goods are delivered or the services are performed.

Those expenses associated with R&D and clinical costs primarily include:

- expenses incurred under agreements with contract research organizations (“CROs”) as well as investigative sites and consultants that conduct our clinical trials, preclinical studies and other scientific development services;
- manufacturing scale-up expenses and the cost of acquiring and manufacturing preclinical and clinical trial materials;
- expenses incurred for outsourced professional scientific development services;
- costs for laboratory materials and supplies used to support our research activities;
- allocated facilities costs, depreciation, and other expenses, which include rent and utilities;
- up-front, milestone and management fees for maintaining licenses under our third-party licensing agreements; and
- compensation and consulting related expenses

We recognize external R&D costs based on an evaluation of the progress to completion of specific tasks using information provided to it by its internal program managers and service providers.

Research and development activities are central to the our business models. Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later stage clinical trials. As a result, we expect that research and development expenses will increase over the next several years as we increase personnel costs, initiate and conduct additional clinical trials and prepare regulatory filings related to the various product candidates.

The successful development of our product candidates is highly uncertain. As such, at this time, we cannot reasonably estimate or know the nature, timing and estimated costs of the efforts that will be necessary to complete the remainder of the development of these product candidates. We are also unable to predict when, if ever, material net cash inflows will commence from our product candidates. This is due to the numerous risks and uncertainties associated with developing products, including the uncertainty of:

- research and development support of our product candidates, including conducting future clinical trials of FS118, FS120, FS222 and SB 11285;
- progressing the clinical development of FS118, FS120, FS222 and SB11285;
- establishing an appropriate safety profile with investigational new drug-enabling studies to advance our programs into clinical development;
- identifying new product candidates to add to our development pipeline;
- successful enrollment in, and the initiation and completion of clinical trials;
- the timing, receipt and terms of any marketing approvals from applicable regulatory authorities;

- commercializing the product candidates, if and when approved, whether alone or in collaboration with others;
- establishing commercial manufacturing capabilities or making arrangements with third party manufacturers;
- the development and timely delivery of commercial-grade drug formulations that can be used in our clinical trials;
- addressing any competing technological and market developments, as well as any changes in governmental regulations;
- negotiating favorable terms in any collaboration, licensing or other arrangements into which we may enter and performing our obligations under such arrangements;
- maintaining, protecting and expanding our portfolio of intellectual property rights, including patents, trade secrets and know-how, as well as obtaining and maintaining regulatory exclusivity for our product candidates;
- continued acceptable safety profile of the drugs following approval; and
- attracting, hiring, and retaining appropriately qualified personnel.

A change in the outcome of any of these variables with respect to the development of a product candidate could mean a significant change in the costs and timing associated with the development of that product candidate. For example, the U.S. Food and Drug Administration, European Medicines Agency or another regulatory authority may require us to conduct clinical trials beyond those that we anticipate will be required for the completion of clinical development of a product candidate, or we may experience significant trial delays due to patient enrolment or other reasons, in which case we would be required to expend significant additional financial resources and time on the completion of clinical development. In addition, we may obtain unexpected results from our clinical trials, and we may elect to discontinue, delay or modify clinical trials of some product candidates or focus on others. Identifying potential product candidates and conducting preclinical testing and clinical trials is a time-consuming, expensive and uncertain process that takes years to complete, and we may never generate the necessary data or results required to obtain marketing approval and achieve product sales. In addition, our product candidates, if approved, may not achieve commercial success.

General and administrative expenses

General and administrative expenses consist primarily of salaries, related benefits, travel, and share-based compensation expense for personnel in executive, finance, legal and administrative functions. General and administrative expenses also include facility-related costs, patent filing and prosecution costs, insurance and marketing costs and professional fees for legal, consulting, accounting, audit, tax services and costs associated with being a public company. Other expense also includes foreign currency transaction losses. The Company expects that general and administrative expenses will increase in the future as the Company expands its operating activities and continues to incur costs of being a US public company.

Other income and expenses, net

Other income and expenses, net, is primarily rent received from subletting an office in the United States and interest received on overdue trade receivable balances, bank interest received, and interest expense, which is primarily bank interest payable and similar charges, the interest liability on leased assets and convertible debt notes, and foreign exchange losses incurred. Foreign exchange gain (loss) is foreign exchange gains or losses due to the fluctuation of GBP, U.S. dollar and the Euro. Change in the fair value of convertible debt is the fair value adjustment of the convertible notes as measured using Level 3 inputs.

Income tax

The Company is subject to corporate taxation in the United States and the UK.

Our UK established entities have generated losses and some profits in the UK since inception and have therefore not paid significant UK corporation tax. Our former Austrian subsidiary has historical losses in Austria with more recent profits, which has resulted in payment of Austrian corporation tax in the years ended December 31, 2021, and 2020. The corporation tax benefit (tax) presented in the Company's statements of comprehensive income (loss) represents the tax impact from its operating activities in the United States, UK and Austria, which have generated taxable income in certain periods. As we carry out extensive research and development activities in the UK, we seek to benefit from the UK research and development tax credit cash rebate regime known as the Small and Medium-sized Enterprises R&D Tax Credit Program (the "SME Program"). Qualifying expenditures largely comprise employment costs for research staff, consumables expenses incurred under agreements with third parties that conduct research and development, preclinical activities, clinical activities and manufacturing on the Company's behalf and certain internal overhead costs incurred as part of research projects.

The tax credit received in the UK pursuant to the SME Program permits companies to deduct an extra 130% of their qualifying costs from their yearly profit or loss, as well as the normal 100% deduction, to make a total 230% deduction. If the company is incurring losses, it is entitled to claim a tax credit worth up to 14.5% of the surrenderable loss. To qualify for relief under the SME Program, companies are required to employ fewer than 500 staff and have a turnover of under €100.0 million or a balance sheet total of less than €86.0 million.

Research and development tax credits received in the UK are recorded as a reduction in research and development expenses. The UK research and development tax credit is payable to companies after surrendering tax losses and is not dependent on current or future taxable income. As a result, it is not reflected as part of the income tax provision.

Income tax expense was not material for the three and nine months ended September 30, 2022.

Accrued Research and Development Expenses

As part of the process of preparing our consolidated financial statements, we are required to estimate our accrued research and development expenses. This process involves reviewing open contracts and purchase orders, communicating with our personnel to identify services that have been performed on our behalf and estimating the level of service performed and the associated costs incurred for the services when we have not yet been invoiced or otherwise notified of the actual costs. The majority of our service providers invoice us in arrears for services performed, on a predetermined schedule or when contractual milestones are met; however, some require advanced payments. We make estimates of our accrued expenses as of each balance sheet date in our consolidated financial statements based on facts and circumstances known to us at that time. Examples of estimated accrued research and development expenses include fees paid to:

- CROs in connection with performing research services on our behalf and clinical trials;
- investigative sites or other providers in connection with clinical trials;
- vendors in connection with preclinical and clinical development activities; and
- vendors related to product manufacturing, development and distribution of preclinical and clinical supplies and material.

We base our expenses related to preclinical studies and clinical trials on our estimates of the services received and efforts expended pursuant to quotes and contracts with multiple CROs that conduct and manage clinical trials on our behalf. The financial terms of these agreements are subject to negotiation, vary from contract to contract and may result in uneven payment flows. There may be instances in which payments made to our vendors will exceed the level of services provided and result in a prepayment of the clinical expense. Payments under some of these contracts depend on factors such as the successful enrollment of patients and the completion of clinical trial milestones. In accruing service fees, we estimate the time period over which services will be performed, enrollment of patients, number of sites activated and the level of effort to be expended in each period. If the actual timing of the performance of services or the level of effort varies from our estimate, we adjust the accrual or amount of prepaid expense accordingly. Although we do not expect our estimates to be materially different from amounts actually incurred, our understanding of the status and timing of services performed relative to the actual status and timing of services performed may vary and may result in us reporting amounts that are too high or too low in any particular

period. To date, we have not made any material adjustments to our prior estimates of accrued research and development expenses.

Contingent value rights

The acquisition-date fair value of the CVR liability represents the future payments that are contingent upon the achievement of sale or licensing for the STING product candidates. The fair value of the contingent value rights is based on the Company's probability-weighted discounted cash flow assessment that considers probability and timing of future payments. The fair value measurement is based on significant Level 3 unobservable inputs such as the probability of achieving a sale or licensing agreement, anticipated timelines, and discount rate. Changes in the fair value of the liability will be recognized in the consolidated statement of operations and comprehensive loss until settlement.

Share-based compensation

The Company accounts for share-based compensation in accordance with ASC 718, "Compensation – Stock Compensation" ("ASC 718"). ASC 718 requires companies to estimate the fair value of equity-based payment awards on the date of grant. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service period in the Company's consolidated statements of operations and comprehensive loss.

The Company records the expense for option awards using a graded vesting method. The Company accounts for forfeitures as they occur. For share-based awards granted to non-employee consultants, the measurement date is the date of grant. The compensation expense is then recognized over the requisite service period, which is the vesting period of the respective award.

The fair value of stock options ("options") on the grant date is determined utilizing the Black-Scholes option-pricing model using the single-option approach. The Black-Scholes option pricing model requires the use of highly subjective and complex assumptions, including an option's expected term and the price volatility of the underlying stock, to determine the fair value of the award.

The Company classifies share-based compensation expense in its consolidated statements of operations and comprehensive loss Income in the same manner in which the award recipient's payroll costs are classified or in which the award recipient's service payments are classified.

Results of Operations

Comparison of the three months ended September 30, 2022 and 2021

The table below summarizes our results of operations for the three months ended September 30, 2022 and 2021:

	Three Months Ended September 30,		
	2022	2021	Change
		(in thousands)	
Statements of Comprehensive Income			
License revenue	$ 1,125	$ 751	$ 374
Operating expenses:			
Research and development	9,670	5,113	4,557
General and administrative	5,161	5,239	(78)
Total operating expenses	$ 14,831	$ 10,352	$ 4,479
Loss from operations	(13,706)	(9,601)	(4,105)
Other non-operating income (expense):			
Interest expense	(378)	(325)	(53)
Change in fair value of contingent value rights	(60)	(444)	384
Other (expense) income	(4,263)	(421)	(3,842)
Loss before income taxes	$ (18,407)	$ (10,791)	$ (7,616)
(Loss) benefit for income taxes	—	—	—
Net loss	$ (18,407)	$ (10,791)	$ (7,616)

Licensing and Research & Development Services Revenue

Revenue for the three months ended September 30, 2022 was $1.1 million compared to $0.8 million for the three months ended September 30, 2021, an increase of approximately $0.3 million. In the quarter ended September 30, 2022, Takeda exercised their option to acquire intellectual property rights and extend their evaluation period, which generated $1.1 million in revenue and in the prior year quarter Takeda signed their initial agreement and paid an initial fee of $0.3 million and AstraZeneca paid their initial upfront fee of $0.5 million per their license agreement.

Research and development costs

Total research and development expenses were $9.7 million for the three months ended September 30, 2022, as compared to $5.1 million for the three months ended September 30, 2021. This $4.6 million increase is primarily due to an increase in clinical CRO costs of $3.0 million resulting from an increased number of patients on clinical trials in our four clinical-stage programs, increases in R&D consultancy of $0.7 million, R&D staff-related costs of $0.6 million and other costs of $0.7 million offset by a $0.4 million increase in the R&D tax credit, which is recorded as a reduction in R&D cost.

General and administrative expense

General and administrative expense for the three months ended September 30, 2022 increased by approximately $0.1 million compared to $5.2 million for the three months ended September 30, 2021, primarily due to an increase totaling $0.5 million in legal and professional costs, and a reduction in other costs of $0.6 million.

Other income (expense)

Other expense for the three months ended September 30, 2022 of $4.3 million consisted primarily of foreign exchange expense of $4.5 million, offset by sublease income of $0.2 million.

For the three months ended September 30, 2021, other income of $0.4 million consisted primarily of rental income of $0.2 million offset by foreign exchange losses of $0.6 million and interest expense on the term debt of $0.3 million. In addition, there was a loss of $0.4 million for the change in fair value of the CVR liability.

Comparison of the nine months ended September 30, 2022 and 2021

The table below summarizes our results of operations for the nine months ended September 30, 2022 and 2021:

	Nine Months Ended September 30,		
	2022	2021	Change
		(in thousands)	
Statements of Comprehensive Income			
License revenue	$ 3,676	$ 3,668	$ 8
Operating expenses:			
Research and development	26,431	20,536	5,895
General and administrative	18,320	18,169	151
Total operating expenses	$ 44,751	$ 38,705	$ 6,046
Loss from operations	(41,075)	(35,037)	(6,038)
Other non-operating income (expense):			
Interest expense	(1,020)	(522)	(498)
Change in fair value of contingent value rights	(245)	(1,027)	782
Other (expense) income	(7,148)	752	(7,900)
Loss before income taxes	$ (49,488)	$ (35,834)	$ (13,654)
(Loss) benefit for income taxes	—	(190)	190
Net loss	$ (49,488)	$ (36,024)	$ (13,464)

Licensing and Research & Development Services Revenue

Revenue for the nine months ended September 30, 2022 was $3.7 million compared to $3.7 million for the nine months ended September 30, 2021. Revenue for the nine months ending September 30, 2022 includes $2.6 million from Merck and $1.1 million from Takeda, as compared to the nine months ended September 30, 2021, in which $2.8 million was from Merck, $0.5 million was from AstraZeneca, $0.3 million was from Takeda and $0.1 million was from Denali.

Research and development costs

Total research and development expenses were $26.4 million for the nine months ended September 30, 2022, as compared to $20.5 million for the nine months ended September 30, 2021. This $5.9 million increase is primarily due to increases in clinical CRO costs of $6.8 million resulting from an increased number of patients on clinical trials in our four clinical-stage programs, $2.0 million of staff costs, $0.7 million of consultancy costs, $0.4 million of travel and staff-related costs and $1.5 million of other costs. In addition, there has been an increase in the R&D tax credit of $5.5 million, which is recorded as a reduction of R&D cost.

General and administrative expense

General and administrative expense for the nine months ended September 30, 2022 decreased by approximately $0.2 million compared to the nine months ended September 30, 2021, primarily due to a decrease in stock compensation expense of $1.3 million and legal and professional costs of $1.1 million and a decrease in other costs of $0.2 million., offset by transaction costs of $2.4 million which were incurred in the nine months ended September 30, 2022 in relation to the proposed acquisition of F-star by invoX Pharma Limited.

Other income (expense)

Other expense for the nine months ended September 30, 2022 of $7.1 million consisted primarily of sublease income of $0.5 million, offset by foreign exchange expense of $7.6 million.

For the nine months ended September 30, 2021, other income of $0.8 million consisted of $0.3 million of foreign exchange gains plus $0.5 million of sublease income.

Liquidity and Capital Resources

Sources of liquidity

From our inception through September 30, 2022, we have not generated any revenue from product sales, and we have incurred significant operating losses and negative cash flows from our operations. We do not expect to generate significant revenue from sales of any products for several years, if at all.

As of September 30, 2022, the Company had an accumulated deficit of $127.9 million, cash of $35.6 million and working capital of $34.9 million. The future success of the Company is dependent on its ability to successfully obtain additional working capital, obtain regulatory approval for and successfully launch and commercialize its product candidates and to ultimately attain profitable operations. If the Merger does not occur, management believes that our existing cash and cash equivalents at September 30, 2022 will fund our current operating plan into the second quarter of 2023. Should our potential mitigating plans, which include additional funding through public equity, private equity, debt financing, collaboration partnerships, or other sources, not materialize, then management would delay or stop certain research and clinical development projects and capital expenditures and eliminate certain future operating expenses to fund operations at reduced levels in order for the Company to continue as a going concern for a period of 12 months from the date the financial statements are issued.

Historically, we have financed our operations with proceeds from the sale and issuance of equity securities, proceeds from the issuance of notes payable and proceeds received in connection with our collaboration arrangements and for providing research and development services. If the Merger does not occur, we expect this historical financing trend to continue if and until we are able obtain regulatory approval for and successfully commercialize one or more of our drug candidates, although there can be no assurance that we will obtain regulatory approval or successfully commercialize any of our current or planned future product candidates.

Cash Flows

The following table summarizes our cash flows for each of the periods presented:

Summarized cash flow information

	Nine Months Ended September 30,		
	2022	2021	Change
		(in thousands)	
Net cash used in operating activities	$ (44,695)	$ (34,048)	$ (10,647)
Net cash used in investing activities	(355)	(643)	288
Net cash provided by financing activities	2,187	87,048	(84,861)
Effect of exchange rate changes on cash	(118)	167	(285)
Net increase in cash	$ (42,981)	$ 52,524	$ (95,505)

Operating activities

Net cash used of $44.7 million in operating activities for the nine months ended September 30, 2022, consisted of the net loss of $49.5 million adjusted for changes in operating assets and liabilities of $7.4 million and offset by non-cash charges of $11.4 million, primarily for share-based compensation expense of $4.3 million, foreign exchange gains of $6.2 million, depreciation and amortization of $0.5 million, fair value adjustment of the CVR liability of $0.2 million and non-cash interest expense of $0.2 million.

Net cash used of $34.0 million in operating activities for the nine months ended September 30, 2021, was primarily due to a net loss of $36.0 million adjusted for changes in operating assets and liabilities of $5.1 million and offset by non-cash charges of $7.1 million, primarily for share-based compensation expense of $5.6 million, non-cash interest expense of $0.1 million, depreciation of $0.5 million, fair value adjustment of the CVR liability of $1.0 million and the deduction of foreign exchange gains of $0.1 million.

Investing activities

For the nine months ended September 30, 2022 and 2021, net cash used in investing activities was $0.4 million and $0.6 million, respectively. In both periods this related to the purchase of laboratory equipment, in the amounts of $0.4 million and $0.6 million, respectively.

Financing activities

For the nine months ended September 30, 2022, net cash provided by financing activities was $2.2 million. This included $2.3 million, net raised from the use of our “at the market” offering facility, offset by $0.1 million, of proceeds paid to tax authorities in connection with shares withheld from employees to cover their tax obligations upon RSU vesting.

For the nine months ended September 30, 2021, net cash provided by financing activities was $87.0 million. This included $77.3 million raised on the issue of common stock, with $9.1 million of the total generated from the “at the market” offering and $68.2 million generated from the underwritten public offering, offset by $0.5 million in legal fees in connection with the offering. In addition, we received net proceeds of $9.8 million from the Loan and Security Agreement with Horizon, and third-party debt issuance costs of $0.1 million were paid.

Future Funding Requirements

If the Merger does not occur, F-star expects to incur substantial losses in the foreseeable future as it conducts and expands its clinical trial and research and development activities. In that case, management believes that its existing cash and cash equivalents at September 30, 2022 will fund our current operating plan into the second quarter of 2023.

The Company may continue to seek additional working capital through the sale and issuance of equity securities, debt financing, collaboration arrangements or other sources. There are no assurances, however, that the Company will be successful in raising additional working capital, or if it is able to raise additional working capital, it may be unable to do so on commercially favorable terms. The Company’s failure to raise additional capital or enter into other financing arrangements if and when needed would have an adverse impact on its business, results of operations and financial condition and its ability to develop its product candidates.

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

- our ability to complete the Merger and the timing thereof;
- the cost, progress, results of the proof-of-concept Phase 2 clinical trials of FS118 and any later-stage clinical trials for this product candidate;
- the cost, progress, and results of the Phase 1 clinical trials of FS222, FS120, and SB 11285 and any later-stage clinical trials for these product candidates;
- the scope, progress, results and costs of preclinical development, laboratory testing and clinical trials for any future product candidate;
- the number of potential new product candidates we identify and decide to develop;
- the cost of manufacturing drug supply for the clinical trials of our product candidates;
- the time and costs involved in obtaining regulatory approval for our product candidates and any delays we may encounter as a result of evolving regulatory requirements or adverse clinical trial results with respect to any of our product candidates;
- the costs involved in growing our organization to the size and expertise needed to allow for the research, development and potential commercialization of our current or any future product candidates;
- fulfilling obligations under our existing collaboration agreements and the entry into new collaboration agreements;
- the costs and timing of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending any intellectual property-related claims, including any claims by third parties that we are infringing upon their intellectual property rights;
- the cost of commercialization activities and costs involved in the creation of an effective sales, marketing and healthcare compliance organization for any product candidates we develop, if approved;

- the potential additional expenses attributable to adjusting our development plans (including any supply related matters) in light of the COVID-19 pandemic;
- the potential additional expenses attributable to adjusting our development plans (including any supply related matters) in light of the Ukraine conflict;
- the revenue, if any, received from commercial sales of our product candidates for which we receive marketing approval; and
- the costs of operating as a public company.

Critical Accounting Policies and Significant Judgments and Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of our consolidated financial statements and related disclosures requires our management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue, costs and expenses and related disclosures. We believe that the estimates and assumptions underlying the accounting policies described therein may have the greatest potential impact on our consolidated financial statements and, therefore, consider these to be our critical accounting policies. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these current estimates based on different assumptions and under different conditions. There have been no material changes to the Company's critical accounting policies and estimates as disclosed in the Company's Annual Report filed on SEC Form 10-K for the year ended December 31, 2021, filed with the SEC on March 15, 2022.

Contractual Obligations and Commitments

We enter into contracts in the normal course of business with third-party service providers for clinical trials, preclinical research studies and testing, manufacturing and other services and products for operating purposes. We have not included our payment obligations under these contracts as these contracts generally provide for termination upon notice, and therefore, we believe that our non-cancelable obligations under these agreements are not material, and we cannot reasonably estimate the timing of, or whether they will occur. We could also enter into additional research, manufacturing, supplier and other agreements in the future, which may require up-front payments and even long-term commitments of cash.

The Merger Agreement includes customary termination provisions for both the Company and Parent and provides that, in connection with the termination of the Merger Agreement under specified circumstances, including termination by the Company under specified circumstances to accept and enter into a binding written definitive agreement providing for the consummation of a transaction constituting a superior offer, the Company will be required to pay to Parent a termination fee of $7.25 million.

Assuming successful completion of the Merger, the Company will incur approximately $6.5 million of closing costs to third-party advisors in accordance with contractual obligations tied to the successful closing of the transaction, of which $1 million was payable upon signing of the Merger Agreement on June 22, 2022.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined in the rules and regulations of the SEC.

Smaller Reporting Company Status

We are a "smaller reporting company" as defined in the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We may take advantage of certain of the scaled disclosures available to smaller reporting companies. These include, but are not limited to, reduced disclosure obligations regarding executive compensation in our periodic and annual reports, exemption from the requirement to provide a compensation discussion and analysis describing compensation practices and procedures, and reduced financial statement disclosure in our registration statements, which must include two years of audited financial statements rather than the three years of

audited financial statements that are required for other public reporting companies. Smaller reporting companies are also eligible to provide such reduced financial statement disclosure in annual reports on Form 10-K. We will be able to take advantage of these scaled disclosures and exemptions for so long as (i) our voting and non-voting common stock held by non-affiliates is less than $250.0 million measured on the last business day of our second fiscal quarter or (ii) our annual revenue is less than $100.0 million during the most recently completed fiscal year and our voting and non-voting common stock held by non-affiliates is less than $700.0 million measured on the last business day of our second fiscal quarter.

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

As of September 30, 2022, our management, under the supervision of our Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Based on their evaluation, our Chief Executive Officer and Chief Financial Officer concluded that such disclosure controls and procedures were effective as of September 30, 2022. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and our management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended September 30, 2022, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

On July 12, July 18, July 20, and July 22, 2022, four purported stockholders of the Company filed separate lawsuits against the Company and certain of its current and former directors and officers in the federal district court for the Southern District of New York, captioned Mark Diebolt v. F-star Therapeutics, Inc., et al., Case No. 1:22-cv-05941 (the "Diebolt Complaint"), Amber Johnson v. F-star Therapeutics, Inc., et al., Case No. 1:22-cv-06103 (the "Johnson Complaint"), Jacob Wheeler v. F-star Therapeutics, Inc., et al., Case No. 1:22-cv-00950 (the "Wheeler Complaint"), and Sam Carlisle v. F-star Therapeutics, Inc., et al., Case No. 1:22-cv-06253 (the "Carlisle Complaint," and together with the Diebolt Complaint, Johnson Complaint, and Wheeler Complaint, the "Complaints"), respectively. The Johnson Complaint, Wheeler Complaint, and Carlisle Complaint have each been voluntarily dismissed, without prejudice. The only complaint remaining, the Diebolt Complaint, alleges violations of Sections 14(d) and 14(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rule 14d-9 promulgated thereunder and Section 20(a) of the Exchange Act. The Diebold Complaint alleges that the Schedule 14D-9 Solicitation / Recommendation Statement filed by the Company on July 7, 2022 is materially incomplete and misleading and seek to enjoin the tender offer until the purported deficiencies in the 14D-9 are corrected, or alternatively, seek monetary damages if the tender offer is consummated. The plaintiff also seeks fees and costs incurred in bringing the Diebolt Complaint. The defendants believe the claims asserted in the Diebolt Complaint are without merit.

The Company has also received demand letters from eight purported shareholders (collectively, the "Demand Letters") separately requesting that the Company provide additional disclosures in connection with the Merger.

The Company and the defendants named in the Diebolt Complaint and the Demand Letters believe that the claims asserted in the Diebolt Complaint and the Demand Letters are without merit.

Additional lawsuits arising out of or relating to the tender offer may be filed and other demand letters may be received in the future. If additional similar complaints are filed or demand letters are received, absent new or different allegations that are material, the Company will not necessarily announce such additional filings.

From time to time, we may become involved in additional legal proceedings arising in the ordinary course of our business. We are not presently a party to any material litigation.

Item 1A. Risk Factors.

In addition to the other information set forth in this report, you should carefully consider the risk factors discussed in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, as filed with the SEC on March 15, 2022, and the risk factors discussed in Part II, Item 1A, "Risk Factors" in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2022, as filed with the SEC on August 11, 2022, which could materially affect our business, financial condition, or results of operations.

Risks related to the pending transaction with invoX Pharma Limited

The completion of the Merger is subject to conditions, some or all of which may not be satisfied or completed on a timely basis, if at all. Failure to complete the Merger could have material adverse effects on our business.

On June 22, 2022, we entered into the Merger Agreement with Parent, Purchaser and Guarantor, and expect the Merger to close in the fourth quarter of 2022. The completion of the Offer and the Merger is subject to a number of conditions, which make the completion and timing of the Merger uncertain. There can be no assurance that the conditions to the completion of the Offer or the Merger will be satisfied or waived, that the Offer and the Merger will be completed, or that the Offer and the Merger will be consummated as contemplated by the Merger Agreement.

As previously disclosed, on September 15, 2022, the Committee on Foreign Investment in the United States ("CFIUS") notified the Company that its review of the joint voluntary notification filing (the "Notice") regarding the Merger would continue for an additional 45 calendar days, subject to possible further extension. Pursuant to a request by CFIUS, on October 31, 2022, the parties voluntarily withdrew and immediately refiled the Notice in order to provide CFIUS with more time to complete its assessment. CFIUS's acceptance of the refiled voluntary

Notice is effective as of November 1, 2022. CFIUS will have a review period of up to 45 calendar days, subject to a further 45 calendar days if extended. Specifically, the Company believes that this “pull and refile” procedure has been requested to enable CFIUS more time to determine whether and to what extent any mitigation steps should be taken. As a result of the foregoing, the expiration of the tender offer has been extended until 5:00 p.m. Eastern Time on Friday, November 18, 2022. Currently, the Merger Agreement may be terminated by either party if any of the Offer conditions, including the Foreign Investment Condition (as defined in the Merger Agreement), are not satisfied or waived by invoX on or before November 19, 2022, unless the parties mutually agree to extend the “End Date” in the Merger Agreement.

If the Merger is not consummated within the expected time frame or at all, due to the CFIUS process or otherwise, we may be materially adversely affected as a company, including that the price of our common stock may decline to the extent that current market prices reflect a market assumption that the Merger will be completed and that we will have incurred significant costs in connection with the Merger, without having realized the benefits of the Merger.

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.

The exhibits filed as part of this Quarterly Report on Form 10-Q are set forth on the Exhibit Index set forth immediately prior to the signature page.

EXHIBIT INDEX

Exhibit Number	Description
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document
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	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2022, has been formatted in Inline XBRL.

***** Filed herewith.
\# Indicates a management contract or compensatory plan, contract or arrangement.

SIGNATURES

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

F-star Therapeutics, Inc.

Date: November 10, 2022

By: */s/ Eliot R. Forster*

Eliot R. Forster, Ph.D.
President and Chief Executive Officer

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, Eliot R. Forster, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of F-star Therapeutics, 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: November 10, 2022

By: */s/ Eliot R. Forster*

Eliot R. Forster, Ph.D.
President and Chief 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, Darlene Deptula-Hicks, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of F-star Therapeutics, 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: November 10, 2022

By: */s/ Darlene Deptula-Hicks*

Darlene Deptula-Hicks
Chief Financial Officer, Treasurer & Secretary

Exhibit 32.1

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

In connection with the Quarterly Report of F-star Therapeutics, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, 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 result of operations of the Company.

Date: November 10, 2022

By: */s/ Eliot R. Forster*

Eliot R. Forster, Ph.D.
President and Chief Executive Officer

Exhibit 32.2

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

In connection with the Quarterly Report of F-star Therapeutics, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, 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 result of operations of the Company.

Date: November 10, 2022

By: */s/ Darlene Deptula-Hicks*

Darlene Deptula-Hicks
Chief Financial Officer, Treasurer & Secretary