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, 2023

OR

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

For the transition period from _____ to _____

Commission File Number: 001-39655

GALECTO, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**37-1957007**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
Ole Maaloes Vej 3 DK-2200 Copenhagen N Denmark	**N/A**
75 State Street, Suite 100 Boston, MA 02109	**02109**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (+45) 70 70 52 10

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.00001 per share	GLTO	The Nasdaq Global Select 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 ☒

As of November 1, 2023, the registrant had 27,112,697 shares of common stock, $0.00001 par value per share, outstanding.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. All statements other than statements of historical fact are "forward-looking statements" for purposes of this Quarterly Report on Form 10-Q. In some cases, you can identify forward-looking statements by terminology such as "may," "could," "will," "would," "should," "expect," "plan," "anticipate," "believe," "estimate," "intend," "predict," "seek," "project," "continue," "potential," "ongoing," or the negative of these terms or other comparable terminology. These forward-looking statements include, but are not limited to, statements regarding:

- our plans and expectations regarding our strategic alternative review process that we announced in September 2023 and the timing and success of such process, including the completion of a potential transaction;
- timing of and costs associated with our restructuring, and the savings benefits we except to receive from the corporate restructuring that we announced in September 2023;
- our ability to retain the continued service of our directors, officers, key employees and consultants;
- our ability to maintain the listing of our common stock on the Nasdaq Stock Market;
- the success, cost and timing of our product development activities and planned initiation and completion of clinical trials of our product candidates, including GB1211 and GB2064;
- our ability to obtain regulatory approval for our current or future product candidates that we may identify or develop;
- our ability to ensure adequate supply of our current or future product candidates;
- our ability to maintain third-party relationships necessary to conduct our business;
- our ability to establish an adequate safety or efficacy profile for our current or future product candidates that we may pursue;
- our intellectual property position, including the scope of protection we are able to establish and maintain for intellectual property rights covering our product candidates and technology;
- the rate and degree of market acceptance and clinical utility for our current or future product candidates we may develop;
- our estimates about the size of our market opportunity;
- our estimates of our expenses, future revenues, capital requirements and our needs for additional financing;
- our ability to maintain and establish collaborations;
- our financial performance and liquidity;
- developments relating to our competitors and our industry, including the impact of government regulation;
- our ability to maintain adequate internal controls over financial reporting;
- the effects of global economic uncertainty and financial market volatility caused by economic effects of rising inflation and interest rates, geopolitical instability, changes in international trade relationships and conflicts, such as the ongoing conflict between Russia and Ukraine and the current armed conflict in Israel and the Gaza Strip, on any of the foregoing or other aspects of our business or operations; and
- other risks and uncertainties, including those listed under the section titled "Risk Factors."

These statements relate to future events or to our future financial performance and involve known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by these forward-looking statements. Factors that may cause actual results to differ materially from current expectations include, among other things, the reasons described elsewhere in this Quarterly Report on Form 10-Q and those set forth in Part I, Item 1A - "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022. Any forward-looking statement in this Quarterly Report on Form 10-Q reflects our current view with respect to future events and is subject to these and other risks, uncertainties, and assumptions relating to our operations, results of operations, industry, and future growth. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future.

This Quarterly Report on Form 10-Q also contains estimates, projections, and other information concerning our industry, our business, and the markets for certain drugs, including data regarding the estimated size of those markets, their projected growth rates, and the incidence of certain medical conditions. Information that is based on estimates, forecasts, projections, or similar methodologies is inherently subject to uncertainties, and actual events or circumstances may differ materially from events and circumstances reflected in this information. Unless otherwise expressly stated, we obtained these industry, business, market, and other data from reports, research surveys, studies, and similar data prepared by third parties, industry, medical and general publications, government data, and similar sources. In some cases, we do not expressly refer to the sources from which these data are derived.

Except where the context otherwise requires, in this Quarterly Report on Form 10-Q, “we,” “us,” “our,” “Galecto,” and the “Company” refer to Galecto, Inc. and, where appropriate, its consolidated subsidiaries.

Trademarks

We have applied for various trademarks that we use in connection with the operation of our business. This Quarterly Report on Form 10-Q includes trademarks, service marks, and trade names owned by us or other companies. All trademarks, service marks, and trade names included in this Quarterly Report on Form 10-Q are the property of their respective owners. Solely for convenience, the trademarks and trade names in this report may be referred to without the ® and ™ symbols, but such references should not be construed as any indicator that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

GALECTO, INC.

Condensed Consolidated Balance Sheets

(in thousands, except share and per share amounts)

	September 30, 2023	December 31, 2022
Assets	(unaudited)	
Current assets		
Cash and cash equivalents	$ 23,078	$ 32,786
Marketable securities	21,100	27,438
Prepaid expenses and other current assets	2,876	3,686
Total current assets	47,054	63,910
Marketable securities, non-current	—	5,832
Operating lease right-of-use asset	453	810
Equipment, net	125	357
Other assets, non-current	2,417	2,279
Total assets	$ 50,049	$ 73,188
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	$ 4,477	$ 3,350
Accrued expenses and other current liabilities	8,078	7,757
Total current liabilities	12,555	11,107
Operating lease liabilities, non-current	112	328
Total liabilities	12,667	11,435
Commitments and contingencies (Note 9)		
Stockholders' equity		
Preferred stock, par value of $0.00001 per share; 10,000,000 shares authorized at September 30, 2023 and December 31, 2022; no shares issued or outstanding as of September 30, 2023 and December 31, 2022	—	—
Common stock, par value of $0.00001 per share; 300,000,000 shares authorized at September 30, 2023 and December 31, 2022; 27,112,697 and 25,652,392 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	—	—
Additional paid-in capital	286,946	279,733
Accumulated deficit	(249,610)	(217,736)
Accumulated other comprehensive loss	46	(244)
Total stockholders' equity	37,382	61,753
Total liabilities and stockholders' equity	$ 50,049	$ 73,188

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

GALECTO, INC.

Condensed Consolidated Statements of Operations and Comprehensive Loss

(in thousands, except share and per share amounts)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Operating expenses				
Research and development	$ 2,551	$ 10,494	$ 21,002	$ 37,436
General and administrative	3,304	3,128	9,504	10,246
Restructuring costs	2,728	—	2,728	—
Total operating expenses	8,583	13,622	33,234	47,682
Loss from operations	(8,583)	(13,622)	(33,234)	(47,682)
Other income (expense), net				
Interest income, net	473	221	1,349	438
Loss on sale of marketable securities	—	—	—	(70)
Foreign exchange transaction gain (loss), net	(26)	(329)	11	(241)
Total other income, net	447	(108)	1,360	127
Net loss	$ (8,136)	$ (13,730)	(31,874)	(47,555)
Net loss per common share, basic and diluted	$ (0.30)	$ (0.54)	$ (1.21)	$ (1.88)
Weighted-average number of shares used in computing net loss per common share, basic and diluted	27,104,777	25,491,786	26,391,987	25,342,153
Other comprehensive loss, net of tax				
Currency translation gain (loss)	127	(344)	117	(1,233)
Unrealized gain (loss) on marketable securities	56	(82)	173	(442)
Reclassification adjustment for loss included in net income	—	—	—	70
Other comprehensive gain (loss), net of tax	183	(426)	290	(1,605)
Total comprehensive loss	$ (7,953)	$ (14,156)	$ (31,584)	$ (49,160)

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

GALECTO, INC.

Condensed Consolidated Statements of Changes in Stockholders' Equity

(in thousands, except share amounts)

(Unaudited)

For the Three Months Ended September 30, 2023	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
Balance at June 30, 2023	27,021,899	$ —	$ 285,311	$ (241,474)	$ (137)	$ 43,700
Stock-based compensation expense	—	—	1,464	—	—	1,464
Issuance of common stock; net of issuance costs of $0.1 million	90,798	—	171	—	—	171
Other comprehensive gain, net	—	—	—	—	183	183
Net loss	—	—	—	(8,136)	—	(8,136)
Balance at September 30, 2023	27,112,697	$ —	$ 286,946	$ (249,610)	$ 46	$ 37,382

For the Three Months Ended September 30, 2022	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
Balance at June 30, 2022	25,342,138	$ —	$ 276,501	$ (189,937)	$ (1,499)	$ 85,065
Stock-based compensation expense	—	—	1,398	—	—	1,398
Issuance of common stock; net of issuance costs	238,891	—	420	—	—	420
Other comprehensive loss, net	—	—	—	—	(426)	(426)
Net loss	—	—	—	(13,730)	—	(13,730)
Balance at September 30, 2022	25,581,029	$ —	$ 278,319	$ (203,667)	$ (1,925)	$ 72,727

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

GALECTO, INC.

Condensed Consolidated Statements of Changes in Stockholders' Equity

(in thousands, except share amounts)

(Unaudited)

For the Nine Months Ended September 30, 2023	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at December 31, 2022	25,652,392	$ —	$ 279,733	$ (217,736)	$ (244)	$ 61,753
Stock-based compensation expense	—	—	4,337	—	—	4,337
Issuance of common stock; net of issuance costs of $0.2 million	1,460,305	—	2,876	—	—	2,876
Other comprehensive gain, net	—	—	—	—	290	290
Net loss	—	—	—	(31,874)	—	(31,874)
Balance at September 30, 2023	27,112,697	$ —	$ 286,946	$ (249,610)	$ 46	$ 37,382

For the Nine Months Ended September 30, 2022	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at December 31, 2021	25,261,832	$ —	$ 273,655	$ (156,112)	$ (320)	$ 117,223
Stock-based compensation expense	—	—	4,222	—	—	4,222
Issuance of common stock; net of issuance costs of $0.2 million	319,197	—	442	—	—	442
Other comprehensive loss, net	—	—	—	—	(1,605)	(1,605)
Net loss	—	—	—	(47,555)	—	(47,555)
Balance at September 30, 2022	25,581,029	$ —	$ 278,319	$ (203,667)	$ (1,925)	$ 72,727

GALECTO, INC.

Condensed Consolidated Statements of Cash Flows

(in thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2023	**2022**
Cash flows from operating activities:		
Net loss	$ (31,874)	$ (47,555)
Adjustment to reconcile net loss to net cash used in operating activities:		
Depreciation	246	21
Stock-based compensation	4,337	4,222
Amortization of premiums and discounts on marketable securities	(406)	447
Net loss on sale of marketable securities	—	70
Amortization of right of use lease asset	355	305
Accretion of lease liability	40	36
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	812	7,802
Other assets, noncurrent	(141)	(785)
Accounts payable	1,127	376
Accrued expenses and other current liabilities	445	3,919
Operating lease liabilities	(378)	(342)
Net cash used in operating activities	(25,437)	(31,484)
Cash flows from investing activities:		
Purchases of marketable securities	(25,937)	(40,656)
Proceeds from sale of marketable securities	38,687	38,865
Purchases of property and equipment	—	(155)
Net cash provided by (used in) investing activities	12,750	(1,946)
Cash flows from financing activities:		
Proceeds from issuance of common stock, net of issuance costs	2,876	442
Net cash provided by financing activities	2,876	442
Net decrease in cash and cash equivalents	(9,811)	(32,988)
Effect of exchange rate changes on cash and cash equivalents	103	(1,239)
Cash and cash equivalents, beginning of period	32,786	62,563
Cash and cash equivalents, end of period	$ 23,078	$ 28,336
Supplemental disclosures of cash flow information:		
Cash paid for taxes	$ —	$ —
Supplemental disclosures of noncash activities:		
Operating lease liabilities arising from obtaining right-of-use assets	$ —	$ 449

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

1. DESCRIPTION OF BUSINESS, ORGANIZATION AND LIQUIDITY

Business and Organization

Galecto, Inc., together with its consolidated subsidiaries (the “Company” or “Galecto”), is a clinical-stage biotechnology company developing novel therapeutics that are designed to target the biological processes that lie at the heart of fibrotic diseases and cancer. The Company’s initial focus is on the development of small molecule inhibitors of galectin-3 and lysyl oxidase-like 2 ("LOXL2”), which play key roles in regulating fibrosis and cancer.

As of September 30, 2023, the Company’s wholly owned subsidiaries were PharmAkea, Inc. or PharmAkea, Galecto Securities Corporation, and Galecto Biotech AB, a Swedish company. Galecto Biotech ApS, a Danish operating company, is a wholly-owned subsidiary of Galecto Biotech AB.

Risks and uncertainties

The Company is subject to risks common to companies in the biotechnology industry, including, but not limited to, new technological innovations, protection of proprietary technology, dependence on key personnel, compliance with government regulations and the need to obtain additional financing. Product candidates currently under development will require significant additional research and development efforts, including extensive preclinical and clinical testing and regulatory approval, prior to commercialization. These efforts require significant amounts of additional capital, adequate personnel infrastructure and extensive compliance reporting capabilities.

The Company’s product candidates are in development. There can be no assurance that the Company’s research and development will be successfully completed, that adequate protection for the Company’s intellectual property will be obtained, that any products developed will obtain necessary government regulatory approval or that any approved products will be commercially viable. Even if the Company’s product development efforts are successful, it is uncertain when, if ever, the Company will generate significant revenue from product sales. The Company operates in an environment of rapid change in technology and substantial competition from pharmaceutical and biotechnology companies. In addition, the Company is dependent upon the services of its employees and consultants.

In September 2023, the Company undertook an organizational restructuring and determined to conduct a comprehensive exploration of strategic alternatives. The restructuring and pursuit of strategic alternatives involves risks. There can be no assurance that the Company’s significantly reduced workforce will be sufficient to pursue the strategic alternatives and the development of the Company’s product candidates. Additionally, availability of suitable third parties with which to conduct contemplated strategic transactions may be limited and whether the Company will be able to pursue a strategic transaction, or whether any transaction, if pursued, will be completed on attractive terms or at all is uncertain.

Liquidity and management plans

Since inception, the Company has devoted substantially all its efforts to business planning, research and development, recruiting management and technical staff and raising capital, and has financed its operations primarily through the issuance of redeemable convertible preferred shares, debt financings, the Company’s initial public offering (“IPO”) and sales of the Company's common stock in "at-the-market" offerings.

As of September 30, 2023, the Company had an accumulated deficit of $249.6 million, from recurring losses since inception in 2011. The Company has incurred recurring losses and has no sales as none of its product candidates have obtained the necessary regulatory approval for commercialization and to be marketed as approved products. The Company expects to continue to incur losses following the Company’s reduced clinical development and corporate general and administrative activities resulting from the restructuring and its exploration of strategic alternatives. The Company had negative cash flows from operating activities during the nine months ended September 30, 2023 and 2022 of $25.4 million and $31.5 million, respectively, and current projections indicate that the Company will have continued negative cash flows for the foreseeable future. Net losses incurred for the three and nine months ended September 30, 2023 were $8.1 million and $31.9 million, respectively. Net losses incurred for the three and nine months ended September 30, 2022 were $13.7 million and $47.6 million, respectively.

At September 30, 2023, the Company’s cash, cash equivalents and marketable securities amounted to $44.2 million and current assets amounted to $47.1 million and current liabilities amounted to $12.6 million. At December 31, 2022, the Company’s cash, cash equivalents and marketable securities amounted to $66.1 million, current assets amounted to $63.9 million and current liabilities amounted to $11.1 million.

On September 26, 2023, the Company announced a restructuring plan to reduce the Company's operations to preserve financial resources, resulting in a reduction of the Company’s workforce by up to 29 people, or approximately 70% of the Company's existing headcount. As a result, the Company estimates that it will incur approximately $3.4 million in restructuring charges in connection with the restructuring, consisting primarily of cash-based expenses related to employee severance and notice period payments, benefits and related costs. The Company incurred restructuring charges of $2.7 million in the third quarter of 2023 and expects that the execution of the restructuring plan will be substantially complete by the end of the fourth quarter of 2023.

Additionally, the Company has initiated a process to evaluate strategic alternatives in order to maximize stockholder value. As part of the strategic review process, the Company is exploring potential strategic alternatives that include, without limitation, an acquisition, merger, business combination or other transactions. The Company is also exploring strategic alternatives related to its product candidates and related assets, including, without limitation, licensing transactions and asset sales. There can be no assurance that the strategic review process will result in the Company pursuing a transaction, or that any transaction, if pursued, will be completed on terms favorable to the Company and its stockholders.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying interim condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (“U.S. GAAP”).

The accompanying interim condensed consolidated financial statements as of September 30, 2023 and for the three and nine months ended September 30, 2023 and 2022, and related interim information contained within the notes to the interim condensed consolidated financial statements, are unaudited. In management’s opinion, the unaudited interim condensed consolidated financial statements have been prepared on the same basis as the Company’s audited consolidated financial statements and include all adjustments (including normal recurring adjustments) necessary for the fair presentation of the Company’s financial position as of September 30, 2023, results of operations, statement of stockholders’ equity for the three and nine months ended September 30, 2023 and 2022 and its cash flows for the nine months ended September 30, 2023 and 2022. All intercompany balances and transactions have been eliminated. These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and accompanying notes contained in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2022, as filed with the Securities and Exchange Commission (“SEC”) on March 9, 2023 ("2022 Consolidated Financial Statements"). The results for the three and nine months ended September 30, 2023 are not necessarily indicative of the results expected for the full fiscal year or any interim period.

For the nine months ended September 30, 2023, there have been no changes to the significant accounting policies as disclosed in Note 2 to the 2022 Consolidated Financial Statements.

Recently issued accounting standards

The Company periodically reviews new accounting standards that are issued and has not identified any new standards that it believes merit further discussion or would have a significant impact on its financial statements.

3. INVESTMENTS

Cash in excess of the Company's immediate requirements is invested in accordance with the Company's investment policy that primarily seeks to maintain adequate liquidity and preserve capital.

A summary of the Company's available-for-sale investments as of September 30, 2023 and December 31, 2022 consisted of the following (in thousands):

	At September 30, 2023			
Marketable securities:	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Corporate bonds	$ 21,193	$ —	$ (93)	$ 21,100
Total	$ 21,193	$ —	$ (93)	$ 21,100

	At December 31, 2022			
Marketable securities:	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Corporate bonds	$ 27,573	$ —	$ (135)	$ 27,438
Total	$ 27,573	$ —	$ (135)	$ 27,438
Marketable securities, noncurrent:				
Corporate bonds	$ 5,963	$ —	$ (131)	$ 5,832
Total	$ 5,963	$ —	$ (131)	$ 5,832

4. PROPERTY AND EQUIPMENT, NET

Property and equipment as of September 30, 2023 consisted of the following (in thousands):

	September 30, 2023	**December 31, 2022**
Equipment	$ 430	$ 419
Less: accumulated depreciation	(305)	(62)
Equipment, net	$ 125	$ 357

Depreciation expense for the three and nine months ended September 30, 2023 was $211,000 and $246,000, respectively. Depreciation expense for the three and nine months ended September 30, 2022 was $6,000 and $21,000, respectively.

5. FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value are performed in a manner to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Company classified its money market funds within Level 1 because their fair values are based on their quoted market prices. The Company classified its debt securities within Level 2 because their fair values are determined using alternative pricing sources or models that utilized market observable inputs.

A summary of the assets that are measured at fair value as of September 30, 2023 and December 31, 2022 is as follows (in thousands):

	Fair Value Measurement at September 30, 2023			
Assets:	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds[(1)]	$ 18,853	$ 18,853	$ —	$ —
Debt securities	21,100	—	21,100	—
Total	$ 39,953	$ 18,853	$ 21,100	$ —

	Fair Value Measurement at December 31, 2022			
Assets:	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds[(1)]	$ 16,445	16,445	—	—
Debt securities	33,270	—	33,270	—
Total	$ 49,715	$ 16,445	$ 33,270	$ —

(1) Money market funds with maturities of 90 days or less at the date of purchase are included within cash and cash equivalents in the accompanying condensed consolidated balance sheets and are recognized at fair value.

6. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following (in thousands):

	September 30, 2023	December 31, 2022
Contract research and development costs	$ 1,433	$ 1,450
Research and development tax credit receivable	781	792
Prepaid insurance costs	109	805
Value-added tax refund receivable	419	587
Other	134	52
Total prepaid expenses and other current assets	$ 2,876	$ 3,686

7. LEASES

The Company has the following operating leases:

Location	Primary Use	Lease Expiration Date	Renewal Option
Copenhagen, Denmark	Corporate headquarters	January 2025	None
London, United Kingdom	Office space	February 2024	None
Gothenburg, Sweden	Office space	November 2023	None
Gothenburg, Sweden	Office space	August 2026	None
Stevenage, United Kingdom	Laboratory space	August 2025	None

The Company has no finance leases and has elected to apply the short-term lease exception to all leases of one year or less. Rent expense for the three and nine months ended September 30, 2023 was $0.2 million and $0.5 million, respectively. Rent expense for the three and nine months ended September 30, 2022 was $0.1 million and $0.4 million, respectively.

Quantitative information regarding the Company's leases for the three and nine months ended September 30, 2023 and 2022 was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Lease Cost	**2023**	**2022**	**2023**	**2022**
Operating lease cost (in thousands)	$ 135	$ 125	$ 411	$ 368
Other Information				
Operating cash flows paid for amounts included in the measurement of lease liabilities (in thousands)	$ 121	$ 134	$ 394	$ 368
Operating lease liabilities arising from obtaining right-of-use assets (in thousands)	$ —	$ 449	$ —	$ 449

As of September 30, 2023 and December 31, 2022, the weighted average remaining lease term for operating leases was 1.3 years and 1.8 years, respectively.

As of September 30, 2023 and December 31, 2022, the weighted average discount rate for operating leases was 8% for both periods.

Operating lease liabilities at September 30, 2023 are as follows (in thousands):

Future Lease Payments	**Operating Leases**
2023 (excluding the period ended September 30, 2023)	$ 147
2024	291
2025	51
2026	—
2027	—
Total lease payments	489
Less: imputed interest	(25)
Total lease liabilities	$ 464

8. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following (in thousands):

	September 30, 2023	December 31, 2022
Contract research and development costs	$ 3,342	$ 6,145
Employee compensation costs	4,035	597
Operating lease liabilities, current	352	476
Other liabilities	349	539
Total accrued expenses and other current liabilities	$ 8,078	$ 7,757

9. COMMITMENTS AND CONTINGENCIES

During the three and nine months ended September 30, 2023, there were no material changes to the Company's commitments and contingencies as disclosed in Note 9 of the 2022 Consolidated Financial Statements. Further, the Company's commitments related to lease agreements are disclosed in Note 7 to the Company's unaudited interim condensed consolidated financial statements.

10. STOCK-BASED COMPENSATION

Employee equity plan

In March 2020, the Company's Board of Directors and stockholders approved the 2020 Stock Option and Grant Plan (“2020 Plan”). Holders of stock options under the 2020 Plan shall be entitled to exercise the vested portion of the stock option during the term of the grant. If a qualified exit, as defined in the 2020 Plan, occurs, then all of the holders' unvested options shall vest immediately.

In October 2020, the Company's Board of Directors and stockholders approved the 2020 Equity Incentive Plan (“2020 Equity Plan”). Following the adoption of the 2020 Equity Plan, no further options are available to be issued under the 2020 Plan. Stock options granted under the 2020 Equity Plan generally vest over a four-year period and expire ten years from the grant date. The shares available for grant under the 2020 Equity Plan will cumulatively increase by 5 percent of the number of shares of common stock issued and outstanding on January 1st each year. At September 30, 2023, the Company had 645,815 shares available for future grant under the 2020 Equity Plan.

The following table sets forth the activity for the Company’s stock options during the nine months ended September 30, 2023:

	Number of Options	Weighted-average exercise price per share	Weighted-average remaining contractual term (in years)	Aggregate intrinsic value
Outstanding at December 31, 2022	5,778,885	$ 5.43	7.9	$ —
Granted	1,923,350	1.28	—	433,020
Cancelled	(401,979)	2.57	—	11,445
Outstanding at September 30, 2023	7,300,256	$ 4.49	6.9	$ -
Vested and expected to vest at September 30, 2023	6,996,114	$ 4.45	6.9	$ -
Vested and exercisable at September 30, 2023	4,299,129	$ 5.31	5.7	$ -

The weighted-average grant date fair value of all stock options granted for the nine months ended September 30, 2023 was $0.95. The intrinsic value at September 30, 2023 and December 31, 2022 was based on the closing price of the Company’s common stock on that date of $0.72 and $1.15 per share, respectively.

In November 2022, the Company's Board of Directors approved the 2022 Inducement Plan (the “Inducement Plan”), which allows for the grant of equity awards to be made to a new employee where the equity award is a material inducement to an employee entering into employment with the Company. The Inducement Plan was adopted by the Company's Board of Directors without stockholder approval pursuant to Nasdaq Listing Rule 5635(c)(4). A total of 250,000 shares of the Company's common stock have been reserved for issuance under the Inducement Plan. As of September 30, 2023, no shares have been issued under the Inducement Plan.

Stock-based compensation

The grant date fair value of stock options vested during the nine months ended September 30, 2023 and 2022 was $5.0 million and $5.7 million, respectively. Total unrecognized compensation expense related to unvested options granted under the Company’s stock-based compensation plan was $6.9 million at September 30, 2023, which is expected to be recognized over a weighted average period of 1.8 years. The Company recorded stock-based compensation expense related to the issuance of stock as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Research and development	$ 712	$ 657	$ 2,082	$ 1,980
General and administrative	752	741	2,255	2,242
Total stock-based compensation	$ 1,464	$ 1,398	$ 4,337	$ 4,222

The Company uses a Black-Scholes option pricing model to determine fair value of its stock options. The Black-Scholes option pricing model includes various assumptions, including the fair value of common shares, expected life of stock options, the expected volatility based on the historical volatility of a publicly traded set of peer companies and the expected risk-free interest rate based on the implied yield on a U.S. Treasury security.

The fair values of the options granted were estimated using the following assumptions:

	Nine Months Ended September 30,	
	2023	2022
Risk-free interest rate	3.8%	1.7%
Expected term (in years)	6.0	6.0
Expected volatility	91.0%	90.0%
Expected dividend yield	—	—

11. RESTRUCTURING ACTIVIES

In September 2023, the Company's Board of Directors approved a restructuring plan (the "Restructuring Plan") to reduce the Company's operating costs and better align its workforce with the needs of its business. The Restructuring Plan eliminated approximately 70% of the Company's workforce.

Employees affected by the Restructuring Plan obtained involuntary termination benefits pursuant to a one-time benefit arrangement. For employees who were notified of their termination in September 2023 and have no requirements to provide future service, the Company recognized the liability for the termination benefits in full at fair value for the period ended September 30, 2023. For employees who are required to render services beyond a minimum retention period to receive their one-time termination benefits, the Company is recognizing the termination benefits ratably over their future service periods. The service periods began in October 2023 and all will end in December 2023. The Company recorded employee termination benefit charges during the three months ended September 30, 2023 of $2.7 million and has included them as operating expenses in the Condensed Consolidated Statements of Operations and Comprehensive Loss.

In addition, the Board of Directors approved arrangements designed to provide that the Company will have the continued dedication and commitment of its remaining employees, including executives, determined to be key to the Company's planned go-forward operations. The Board of Directors approved, and management implemented, a retention program for employees remaining with the Company which includes cash retention bonuses totaling $1.2 million for certain retained employees, provided that they remain within the Company through various requisite service periods. As a result, these cash retention bonuses are being accrued over the requisite service period. During the period ended September 30, 2023, there has been no retention accrual recognized.

12. NET LOSS PER SHARE

Basic and diluted net loss per share is calculated as follows (in thousands except share and per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net loss	$ (8,136)	$ (13,730)	$ (31,874)	$ (47,555)
Weighted-average number of shares used in computing net loss per common share, basic and diluted	27,104,777	25,491,786	26,391,987	25,342,153
Net loss per common share, basic and diluted	$ (0.30)	$ (0.54)	$ (1.21)	$ (1.88)

The following outstanding potentially dilutive securities have been excluded from the calculation of diluted net loss per share, as their effect is anti-dilutive:

	Nine Months Ended September 30,	
	2023	2022
Stock options to purchase common stock	7,300,256	5,810,228

13. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the date on which the unaudited interim condensed consolidated financial statements were issued. The Company has concluded that no subsequent events have occurred that require disclosure to the unaudited interim condensed consolidated financial statements.

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 interim condensed consolidated financial statements and the notes thereto included in this Quarterly Report on Form 10-Q and the audited consolidated financial statements and notes thereto for the year ended December 31, 2022, and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, filed with the United States Securities and Exchange Commission, or the SEC, on March 9, 2023. This discussion and analysis and other parts of this Quarterly Report contain forward-looking statements based upon current beliefs, plans and expectations that involve risks, uncertainties and assumptions, such as statements regarding our plans, objectives, expectations, intentions and projections. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of several factors, including those set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 and in other SEC filings.

Overview

We are a clinical-stage biotechnology company developing novel small molecule therapeutics that are designed to target the biological processes that lie at the heart of cancer and fibrotic diseases. Our strategy is to focus on diseases without disease-modifying treatment options and where there is a high unmet medical need. We are concentrating on the development of a new class of medicines: small molecule inhibitors of galectin-3 and lysyl oxidase-like 2, or LOXL2, that target underlying biology for the treatment of multi-factorial diseases like cancer and fibrotic diseases. Galectin proteins, and especially galectin-3, are highly expressed in many cancers, where they promote cancer progression, and fibrotic diseases, where they reduce organ function. The collagen cross-linking enzyme LOXL2 builds the backbone of fibrotic tissue by cross-linking collagen and elastin molecules and has been linked to cancer growth, metastasis and fibrosis. Our product candidates are designed to modulate multiple disease pathways simultaneously by inhibiting the master drivers of the cancer and fibrotic cascades. We believe our galectin and LOXL2 product candidates are distinct from the current generation of anti-cancer and anti-fibrotic agents and have the potential to significantly improve patient outcomes for these complex diseases.

Recent Developments

In August 2023, we announced that our Phase 2b trial evaluating GB0139 for the treatment of idiopathic pulmonary fibrosis, or IPF, did not meet its primary endpoint of change from baseline in rate of decline in forced vital capacity. As a result, we announced that we were discontinuing development of GB0139.

In September 2023, we announced a corporate restructuring that resulted in a substantial reduction of our workforce and that we have initiated a process to evaluate strategic alternatives. As part of our strategic review process, we are exploring potential strategic alternatives that include, without limitation, an acquisition, merger, business combination or other transaction. We are also exploring strategic transactions regarding our product candidates and related assets, including, without limitation, licensing transactions and asset sales. We expect to devote substantial time and resources to exploring strategic alternatives in order to maximize stockholder value. Despite devoting significant efforts to identify and evaluate potential strategic alternatives, there can be no assurance that this strategic review process will result in us pursuing any transaction or that any transaction, if pursued, will be completed on attractive terms or at all. We have not set a timetable for completion of this strategic review process, and our board of directors has not approved a definitive course of action. Additionally, there can be no assurances that any particular course of action, business arrangement or transaction, or series of transactions, will be pursued, successfully consummated or lead to increased stockholder value or that we will make any cash distributions to our stockholders.

GB1211 (Liver Cirrhosis and Oncology Indications) – GULLIVER-2, GALLANT-1 and Providence Investigator-Initiated Trials

GB1211 is a selective oral small molecule inhibitor of galectin-3 that is chemically distinct from GB0139. We believe GB1211 has the potential to treat multiple types of fibrosis and oncology indications. GB1211 demonstrated antifibrotic and anticancer activity in multiple preclinical models and was evaluated in a Phase 1 trial in 78 healthy volunteers. In the Phase 1 trial, GB1211 was well-tolerated and showed dose-dependent pharmacokinetics.

Within the field of fibrotic diseases, our initial target indication for GB1211 is liver cirrhosis, a severe, progressive disease that ultimately leads to liver failure and for which there are limited treatment options and no FDA-approved disease modifying therapeutics available. During the fourth quarter of 2022, at the American Association for the Study of Liver Diseases' (AASLD) The Liver Meeting® 2022, we announced topline results from our Phase 1b/2a GULLIVER-2 trial in patients with decompensated liver cirrhosis showing statistically significant reductions in ALT ($p<0.0005$), AST ($p<0.005$) and GGT ($p<0.05$), with encouraging reductions for ALP ($p<0.09$), after 12 weeks of treatment. These findings suggest that GB1211 provided liver cell protection and improved liver status, further supporting clinical development in severe liver disease. The consistency of the reductions in liver

enzymes shown in this severe form of liver cirrhosis, the progressive improvement we observed over 12 weeks and the favorable safety profile observed in the GULLIVER-2 trial lead us to believe that a broader study in patients with cirrhosis could show broader clinical activity, providing a potential regulatory path to approval as the first FDA-approved therapy in non-viral liver cirrhosis.

Our next step in the development of GB1211 for the treatment of cirrhosis and other liver diseases would be to conduct a long-term, randomized, placebo-controlled Phase 2a trial in patients with decompensated cirrhosis. We are currently working on clinical trial planning activities for this trial, but there is no timetable for initiation of such trial and we may ultimately determine to not initiate this Phase 2a clinical trial. We plan to explore external options for partnering and/or funding additional liver disease-focused activities for GB1211 as part of our strategic alternative process.

GB1211 is also being studied in oncology. Many tumors overexpress galectin-3, which mechanistically is linked to several cancer-promoting mechanisms, including those linked to programmed cell death receptor 1 (PD-1) or its ligand, PD-L1 resistance and chemotherapy resistance, and may ultimately lead to worse clinical outcomes. Galectin-3 inhibition has the potential to both directly reduce tumor growth as well as increase the immune mediated eradication of tumors and is believed to increase T-cell recruitment and activation in the tumor microenvironment. In an animal model, we observed that oral administration of our galectin-3 inhibitors reduced human and mouse lung adenocarcinoma growth and blocked metastasis. Treatment with one of our galectin-3 inhibitors also potentiated the activity of a PD-L1 immune checkpoint inhibitor. The mechanisms at work include checkpoint inhibitor-type mechanisms (inhibition of TGF-β signaling, LAG-3, T-cell receptor, interferon gamma) and mechanisms potentially enhancing PD-1/PD-L1 activity, as evidenced by preclinical data showing that GB1211 reversed a galectin-3 induced blockage of the checkpoint inhibitors atezolizumab and pembrolizumab and exhibited synergistic activity with these checkpoint inhibitors. Furthermore, in the clinic, a retrospective study showed that patients with high tumor staining for galectin-3 were resistant to treatment with pembrolizumab, an anti-PD-1 antibody approved for the treatment of NSCLC, and, by contrast, patients with low galectin-3 had a good response to pembrolizumab and a reduction in tumor volume. Thus, galectin-3 could be a biomarker for anti-PD-1/PD-L1 resistance and, therefore, also be a marker for patients who may benefit from galectin-3 inhibition. We believe the emerging data of galectin-3 as a checkpoint inhibitor resistance mechanism supports a key role for our oral galectin-3 inhibitor candidates in cancer therapy.

Our initial target indication for GB1211 in oncology is non-small cell lung cancer, or NSCLC, a cancer indication with high unmet medical need. In the fourth quarter of 2021, we announced that we had entered into a clinical trial supply agreement with F. Hoffmann-La Roche Ltd, or Roche, for our Phase 2a trial of GB1211 in combination with atezolizumab, marketed by Roche as Tecentriq®, a PD-L1 checkpoint inhibitor for the first-line treatment of NSCLC, which we refer to as the GALLANT-1 trial. This randomized, double-blind, placebo-controlled trial is examining the effect of GB1211 and atezolizumab on tumor shrinkage based on RECIST criteria (version 1.1), as well as secondary endpoint measures such as overall survival and progression-free survival.

In the third quarter of 2023, we completed Part A of the GALLANT-1 trial, an open-label study to select the dose of GB1211 to be used in future trials and to evaluate the safety and tumor shrinkage of the combination of GB1211 and checkpoint inhibitors. The Safety Review Committee for the trial reviewed the results from Part A and recommended that the 100 mg twice daily dose of GB1211 be used in combination with checkpoint inhibitors in future oncology trials.

In connection with completing Part A of the GALLANT-1 trial, we conducted an interim safety analysis. We started Part A of the trial with GB1211 200 mg dosed twice daily and atezolizumab. In the seven patients who received GB1211 200 mg twice daily in combination with atezolizumab, we observed six serious adverse events, of which three of these serious adverse events were determined not to be related to either GB1211 200 mg or atezolizumab. No serious adverse events were deemed to be solely attributed to GB1211 200 mg. One case of grade 4 hypocellular bone marrow was determined to be related to both GB1211 200 mg and atezolizumab. The other two serious adverse events were autoimmune-type skin rashes (showing perivascular lymphocytic infiltrates), one of which was a grade 3 case of autoimmune pemphigus determined to be related solely to atezolizumab and the other was a grade 4 case of skin rash determined to be related to both GB1211 200 mg and atezolizumab. As a result of these skin reactions and in accordance with the protocol, we reduced the GB1211 dose to 100 mg twice daily for the second patient cohort. The skin reactions were similar to those historically observed with atezolizumab and described in the label. Both reactions responded to therapy with glucocorticosteroids and were clinically manageable. Interestingly, inflammatory and perivascular lymphocytic infiltrates were observed in both skin reactions, and could signal an exaggerated immune activation, something often observed with checkpoint inhibitor therapy and associated with improved clinical outcomes. Because a central aspect of the mechanism of action design for GB1211 in combination with a checkpoint inhibitor is to remove galectin-3 from the lymphocytes and the tumor cells, and thereby increase lymphocyte-based tumor killing, we believe this could possibly be a positive signal of enhanced lymphocyte activation. Seventeen treatment-emergent adverse events were determined by investigators as potentially being related to GB1211 200 mg.

Following the dose reduction referred to above, five additional evaluable patients received GB 1211 100 mg twice daily in combination with atezolizumab. The combination of GB1211 100 mg and atezolizumab appeared to be well-tolerated, with predominantly Grade 1 and Grade 2 treatment emergent adverse effects observed. In this cohort, we observed two serious adverse events, neither of which were determined to be related to GB1211 100 mg or atezolizumab. Twelve treatment-emergent adverse events were determined by investigators as potentially being related to GB1211 200 mg. Importantly, we did not observe any autoimmune-type skin rashes in the 100 mg cohort.

We enrolled a total of 13 patients in Part A of the GALLANT-1 trial (100 mg: six; 200 mg: seven). Currently, four patients are continuing to receive GB1211 (100 mg: three; 200 mg: one) in combination with atezolizumab and will continue to be followed until progression or unacceptable toxicity, while nine patients have discontinued treatment in the trial. Five of these nine patients who received treatment for longer than four weeks discontinued treatment as a result of disease progression or adverse reactions. The other four patients received treatment for less than four weeks and discontinued treatment due to withdrawal of consent or autoimmune skin reactions as mentioned above.

Four patients in Part A of the GALLANT-1 trial (100 mg: three; 200 mg: one) showed a partial response according to RECIST criteria (version 1.1). One patient in the GALLANT-1 trial who has been receiving treatment for 48 weeks with both GB1211 200 mg twice daily and atezolizumab showed a partial response at weeks 12, 24, 30, 36 and 42. As of the week 42 study visit, the observed tumor shrinkage was greater than 70%. Of the five patients who have been treated for at least six weeks with GB1211 100 mg in combination with atezolizumab, three patients have shown a partial response and have been on treatment for up to 40 weeks. One of these patients showed tumor shrinkage of greater than 80% at the week 36 study visit. In addition, insights from early biomarker analyses from the GALLANT-1 trial revealed a trend showing that responders had increased levels of galectin-3 at baseline, and stable or decreasing galectin-3 levels during treatment. In contrast, patients with progressive disease demonstrated increasing levels of galectin-3 during treatment. This correlation suggests that the detection of galectin-3 levels could potentially be used to select and monitor patient populations.

In October 2023, we announced that, as a result of our recently announced strategic alternative process, we will not initiate Part B of the GALLANT-1 trial. Part B of the trial had been designed to evaluate safety and tumor shrinkage and explore tumor response rate based on RECIST criteria (version 1.1), clinical activity and immune biomarkers.

While we will not initiate Part B of the GALLANT-1 trial, we will continue to supply GB1211 at the recommended Phase 2 dose level of 100 mg twice daily for the upcoming investigator-initiated Phase 2 trial at Providence Portland Medical Center's Earle A. Chiles Research Institute (EACRI). This trial will evaluate the safety and efficacy of GB1211, Galecto's first-in-class, oral small molecule galectin-3 inhibitor candidate, in combination with pembrolizumab (Keytruda®), in metastatic melanoma and HNSCC patients. The randomized, double-blind placebo controlled, investigator-initiated Phase 2 trial is expected to evaluate whether the addition of GB1211 increases the response rate of pembrolizumab in metastatic melanoma and HNSCC patients. The study is designed to evaluate GB1211 in combination with the standard therapeutic dose of pembrolizumab in patients with unresectable or metastatic melanoma or recurrent or metastatic HNSCC progressing during or after platinum-containing chemotherapy. In addition to monitoring for toxicity and clinical response, blood and tumor samples will be obtained to assess immunologic measures relevant to galectin-3 biology and checkpoint inhibition. This trial is expected to begin in early 2024 and the first data readout could be reported as early as 2025.

We plan to explore external options for partnering and/or funding additional oncology-focused activities for GB1211 as part of our strategic alternative process.

GB2064 (Myelofibrosis) – MYLOX-1 Trial

GB2064 is a selective oral small molecule inhibitor of LOXL2 that we are initially developing for the treatment of myelofibrosis, a malignant disease of the bone marrow in which progressive fibrosis reduces the ability to form blood cells in the bone marrow. Myelofibrosis is one of several types of cancer and multiple fibrotic diseases in which expression of LOXL2 is significantly increased. Unlike current treatment options for myelofibrosis, we believe that GB2064 has the potential to be a disease-modifying therapy as it is designed to have a direct impact on the fibrotic process and slow the progression of the disease.

We are currently conducting a Phase 2a MYLOX-1 trial examining GB2064 in myelofibrosis in which the primary endpoint is safety and secondary endpoints include measurements of drug levels in the bone marrow and grade of fibrosis, improvement of anemia and/or thrombocytopenia and assessment of spleen and liver size. In the third quarter of 2022, we announced results from a planned intermediate assessment of the first five patients who had completed at least six months of treatment with GB2064. Four of the five patients experienced a ≥ 1-grade reduction in collagen fibrosis of the bone marrow, an improvement suggesting that GB2064 could impact the progression of the disease and potentially be disease modifying. All four patients who experienced a ≥ 1-grade reduction in collagen fibrosis also showed stable hematological parameters (hemoglobin, white blood cell

count, and thrombocytes) and stable spleen volume over the six month treatment period, and none required transfusion. As of the date of the planned intermediate assessment, the most commonly observed treatment-related adverse events were gastrointestinal in nature and were manageable in most patients with standard therapy. In the five patients who completed at least six months of treatment with GB2064 and valid bone marrow biopsies, there were no treatment-related serious adverse events, while in the entire trial population, the only possibly treatment-related serious adverse event was a case of fall.

We have completed patient treatment in the MYLOX-1 trial and expect to report topline results in the fourth quarter of 2023. Four patients continue to receive treatment and four patients are currently in the extension phase because their treating physician deemed them to be clinically responsive to treatment with GB2064. The data analyzed to date from the MYLOX-1 trial suggest that inhibiting LOXL2 may be a way to reduce tissue collagen levels in multiple fibrosis and oncology indications. Because the trial has already exceeded the pre-defined target of a ≥ 1 grade reduction in collagen fibrosis in at least three out of 16 evaluable patients, we believe that MYLOX-1 has reached the dual goal of confirming LOXL2 as an attractive fibrosis target and demonstrating that GB2064 has clinically meaningful antifibrotic activity.

We currently do not have any plans to conduct additional trials of GB2064 following the anticipated readout of the MYLOX-1 trial in the fourth quarter of 2023, but we plan to explore external options for partnering and/or funding additional activities for GB2064 as part of our strategic alternative process.

Financial Overview

We currently expect our expenses to decrease in the near future due to our decision to stop development of certain of our product candidates and reduce our workforce while we explore strategic alternatives. Our remaining product candidates, GB1211 and GB2064, are in Phase 2 of clinical development. Our ability to generate revenue from product sales sufficient to achieve profitability will depend heavily on partnering and/or funding additional activities in order to achieve the successful development and eventual commercialization of one or more of these product candidates. Our operations to date have been financed primarily from our initial public offering, or IPO, the issuance of common stock through our ATM Program, the issuance of convertible preferred shares and convertible notes. Since inception, we have had significant operating losses. Our net loss was $8.1 million and $31.9 million for the three and nine months ended September 30, 2023, respectively. Our net loss was $13.7 million and $47.6 million for the three and nine months ended September 30, 2022, respectively. As of September 30, 2023, we had an accumulated deficit of $249.6 million and $44.2 million in cash, cash equivalents and marketable securities.

Cash used to fund operating expenses is impacted by the timing of when we pay these expenses, as reflected in the change in our prepaid expenses, accounts payable and accrued expenses. We expect to continue to incur net losses for the foreseeable future. In particular, we expect our expenses to continue if we determine to further our development of, and seek regulatory approvals for, our product candidates, pay fees to outside consultants, lawyers and accountants, and incur other costs associated with being a public company. In addition, if and when we seek and obtain regulatory approval to commercialize any current or future product candidate, we will also incur increased expenses in connection with commercialization and marketing of any such product. Our net losses may fluctuate significantly from quarter-to-quarter and year-to-year, depending on the timing of our clinical trials and our expenditures on other research and development activities.

We expect to continue to incur costs and expenditures in connection with the process of evaluating our strategic alternatives. There can be no assurance, however, that we will be able to successfully consummate any particular strategic transaction. The process of continuing to evaluate these strategic options may be very costly, time-consuming and complex and we have incurred, and may in the future incur, significant costs related to this continued evaluation, such as legal, accounting and advisory fees and expenses and other related charges. A considerable portion of these costs will be incurred regardless of whether any such course of action is implemented or transaction is completed. Any such expenses will decrease the remaining cash available for use in our business. In addition, any strategic business combination or other transactions that we may consummate in the future could have a variety of negative consequences and we may implement a course of action or consummate a transaction that yields unexpected results that adversely affects our business and decreases the remaining cash available for use in our business or the execution of our strategic plan. There can be no assurances that any particular course of action, business arrangement or transaction, or series of transactions, will be pursued, successfully consummated, lead to increased stockholder value, or achieve the anticipated results. Any failure of such potential transaction to achieve the anticipated results could significantly impair our ability to enter into any future strategic transactions and may significantly diminish or delay any future distributions to our stockholders.

Subject to the outcome of our exploration of strategic alternatives, which may materially change any estimates, and based on current estimates of our expenses going forward, we believe that our existing cash, cash equivalents and marketable securities of $44.2 million as of September 30, 2023 will be sufficient to fund our operating expenditures and capital expenditure requirements through at least the next twelve months from the filing date of this Quarterly Report on Form 10-Q. We have based this estimate on

assumptions that may prove to be wrong, and we could exhaust our available capital resources sooner than we expect. However, our resource requirements could materially change to the extent we identify and enter into any strategic transaction.

To date, we have not had any products approved for sale and, therefore, have not generated any product revenue. We do not expect to generate any revenues from product sales unless and until we successfully complete development and obtain regulatory approval for one or more of our product candidates. If we obtain regulatory approval for any of our product candidates, we expect to incur significant commercialization expenses related to product sales, marketing, manufacturing and distribution. As a result, until such time, if ever, that we can generate substantial product revenue, we expect to finance our cash needs through equity offerings, debt financings or other capital sources, including collaborations, licenses or similar arrangements. However, we may be unable to raise additional funds or enter into such other arrangements when needed or on favorable terms, if at all. Any failure to raise capital as and when needed could have a negative impact on our financial condition and on our ability to pursue our business plans and strategies, including our research and development activities. If we are unable to raise capital, we will need to further delay, reduce or terminate activities to reduce costs beyond the restructuring announced in September 2023.

Economic uncertainty in various global markets, including the U.S. and Europe, caused by political instability and conflict, such as the ongoing conflict in Ukraine and in Israel and the Gaza Strip, have led to market disruptions, including significant volatility in commodity prices, credit and capital market instability and supply chain interruptions, which have caused inflation globally. Our business, financial condition and results of operations could be materially and adversely affected by further negative impact on the global economy and capital markets resulting from these global economic conditions, particularly if such conditions are prolonged or worsen.

Although, to date, our business has not been materially impacted by these global economic and geopolitical conditions, it is impossible to predict the extent to which our operations will be impacted in the short and long term, or the ways in which such instability could impact our business and results of operations. The extent and duration of these market disruptions, whether as a result of the military conflict between Russia and Ukraine and effects of the Russian sanctions, current armed conflict in Israel and the Gaza Strip, geopolitical tensions, record inflation or otherwise, are impossible to predict, but could be substantial. Any such disruptions may also magnify the impact of other risks described in this report.

Components of Operating Results

Operating Expenses

Our operating expenses since inception have consisted primarily of research and development expenses and general and administrative costs.

Research and Development

Our research and development expenses consist primarily of costs incurred for the development of our product candidates and our drug discovery efforts, which include:

- personnel costs, which include salaries, benefits and stock-based compensation expense;
- expenses incurred under agreements with consultants, and third-party contract organizations that conduct research and development activities on our behalf;
- costs related to sponsored research service agreements;
- costs related to production of preclinical and clinical materials, including fees paid to contract manufacturers;
- laboratory and vendor expenses related to the execution of preclinical studies and planned clinical trials;
- laboratory supplies and equipment used for internal research and development activities; and
- acquired in-process research and development programs.

We expense all research and development costs in the periods in which they are incurred, including for acquired in-process research and development. Costs for certain research and development activities are recognized based on an evaluation of the progress to completion of specific tasks using information and data provided to us by our vendors and third-party service providers.

We have historically met the requirements to receive a tax credit in Denmark of up to $0.9 million per year for losses resulting from research and development costs of up to approximately $4.1 million per year. The tax credit is reported as a reduction to research and development expense in the condensed consolidated statements of operations. We recorded a tax credit of $0.8 million for each of the nine month periods ended September 30, 2023 and 2022.

Our direct research and development expenses are not currently tracked on a program-by-program basis. We use our personnel and infrastructure resources across multiple research and development programs directed toward identifying and developing product candidates. The majority of our clinical spending in the nine month period ended September 30, 2023 and 2022 was on GB0139.

We anticipate that our research and development expenses will decrease in the near future compared to prior periods due to our planned reduced clinical efforts and the recent restructuring announced in connection with our exploration of strategic alternatives.

Because of the numerous risks and uncertainties associated with product development and the current stage of development of our product candidates and programs, we cannot reasonably estimate or know the nature, timing and estimated costs necessary to complete the remainder of the development of our product candidates or programs. We are also unable to predict if, when, or to what extent we will obtain approval and generate revenues from the commercialization and sale of our product candidates. The duration, costs and timing of preclinical studies and clinical trials and development of our product candidates will depend on a variety of factors, including:

- successful completion of our Phase 2 clinical trials for GB2064 and GB1211, and any clinical trials for future product candidates;
- data from our clinical programs that support an acceptable risk-benefit profile of our product candidates in the intended patient populations;
- acceptance by the FDA, regulatory authorities in Europe, Medicines and Healthcare products Regulatory Agency, or MHRA, Health Canada or other regulatory agencies of the IND applications, clinical trial applications and/or other regulatory filings for GB2064, GB1211 and any future product candidates;
- successful application for and receipt of marketing approvals from applicable regulatory authorities;
- obtainment and maintenance of intellectual property protection and regulatory exclusivity for our product candidates;
- arrangements with third-party manufacturers for, or establishment of, commercial manufacturing capabilities;
- establishment of sales, marketing and distribution capabilities and successful launch of commercial sales of our products, if and when approved, whether alone or in collaboration with others;
- acceptance of our products, if and when approved, by patients, the medical community and third-party payors;
- effective competition with other therapies; obtainment and maintenance of coverage, adequate pricing and adequate reimbursement from third-party payors, including government payors;
- maintenance, enforcement, defense and protection of our rights in our intellectual property portfolio;
- avoidance of infringement, misappropriation or other violations with respect to others' intellectual property or proprietary rights; and
- maintenance of a continued acceptable safety profile of our products following receipt of any marketing approvals.

We may never succeed in achieving regulatory approval for any of our product candidates. We may obtain unexpected results from our preclinical studies and clinical trials. We may elect to discontinue, delay or modify clinical trials of some product candidates or focus on others. A change in the outcome of any of these factors could mean a significant change in the costs and timing associated with the development of our current and future preclinical and clinical product candidates. For example, if the FDA or another regulatory authority were to require us to conduct clinical trials beyond those that we currently anticipate will be required for the completion of clinical development, or if we experience significant delays in execution of or enrollment in any of our preclinical

studies or clinical trials, we could be required to expend significant additional financial resources and time on the completion of preclinical and clinical development.

Depending on the results of the strategic alternatives being pursued, research and development activities may continue to account for a significant portion of our operating expenses in the future. However, we expect our research and development expenses to decrease in the near future compared to prior periods due to our planned reduced clinical efforts and the recent restructuring announced in connection with our exploration of strategic alternatives. Product candidates in later stages of clinical development generally incur 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 if we choose to pursue further development and testing of our product candidates, our research and development expenses will increase as our product candidates advance into later stages of clinical development. However, we do not believe that it is possible at this time to accurately project total program-specific expenses through commercialization. There are numerous factors associated with the successful commercialization of any of our product candidates, including future trial design and various regulatory requirements, many of which cannot be determined with accuracy at this time based on our stage of development.

General and Administrative Expenses

Our general and administrative expenses consist primarily of personnel costs, depreciation expense and other expenses for outside professional services, including legal, human resources, audit and accounting services and facility-related fees not otherwise included in research and development expenses. Personnel costs consist of salaries, benefits and stock-based compensation expense, for our personnel in executive, finance and accounting, business operations and other administrative functions. We anticipate that our general and administrative expenses will decrease in the near future compared to prior periods due to the recent restructuring announced in connection with our exploration of strategic alternatives. We do expect to incur significant costs, however, related to our exploration of strategic alternatives, including legal, accounting and advisory expenses and other related charges. These costs cannot be determined with accuracy at this time.

Other Income (Expense), Net

Our other income (expense), net is comprised of:

- Interest income: The interest income earned on our cash, cash equivalents, restricted cash and marketable securities are recorded in our statements of operations.

- Foreign exchange: The functional currency of our subsidiaries in Denmark and Sweden is the Euro. Transactions denominated in currencies other than the Euro result in exchange gains and losses that are recorded in our statements of operations.

Results of Operations

Comparison of the Three Months Ended September 30, 2023 and 2022

The following sets forth our results of operations for the three months ended September 30, 2023 and 2022:

	Three Months Ended September 30,		Change	
	2023	2022	Amount	Percent
	(in thousands)			
Operating expenses				
Research and development	$ 2,551	$ 10,494	$ (7,943)	-75.7%
General and administrative	3,304	3,128	176	5.6%
Restructuring costs	2,728	-	2,728	100.0%
Total operating expenses	$ 8,583	$ 13,622	$ (5,039)	-37.0%
Loss from operations	(8,583)	(13,622)	5,039	-37.0%
Other income, net	447	(108)	555	-513.9%
Net loss	$ (8,136)	$ (13,730)	$ 5,594	-40.7%

Research and development expenses

Research and development expenses were comprised of:

	Three Months Ended September 30,		Change	
	2023	2022	Amount	Percent
	(in thousands)			
Preclinical studies and clinical trial-related activities	$ (971)	$ 5,897	$ (6,868)	-116.5%
Chemistry, manufacturing and control	496	1,354	(858)	-63.4%
Personnel	1,280	1,993	(713)	-35.8%
Consultants and other costs	1,746	1,250	496	39.7%
Total research and development expenses	$ 2,551	$ 10,494	$ (7,943)	-75.7%

Research and development expenses were $2.6 million for the three months ended September 30, 2023, compared to $10.5 million for the three months ended September 30, 2022. The decrease of $7.9 million was primarily related to decreased clinical trial-related expenses of $6.9 million due to discontinued clinical trial activities and decreased chemistry, manufacturing and control costs of $0.8 million and decreased personnel costs of $0.7 million, offset by increased consulting related costs and other research and development costs of $0.5 million.

General and administrative expenses

General and administrative expenses were $3.3 million for the three months ended September 30, 2023, compared to $3.1 million for the three months ended September 30, 2022. The increase of $0.2 million was primarily related to a one-time increase in personnel costs of $0.6 million primarily related to an employee termination, offset by decreased insurance related costs of $0.3 million and decreased net other general administrative costs of $0.1 million.

Other income (expense), net

Other income (expense), net for the three months ended September 30, 2023 was $0.5 million, compared to $(0.1) million for the three months ended September 30, 2022. The increase of $0.6 million was primarily due to increased net interest income and increased foreign exchange transaction gain (loss), net.

Comparison of the Nine Months Ended September 30, 2023 and 2022

The following sets forth our results of operations for the nine months ended September 30, 2023 and 2022:

	Nine Months Ended September 30,		Change	
	2023	2022	Amount	Percent
	(in thousands)			
Operating expenses				
Research and development	$ 21,002	$ 37,436	$ (16,434)	-43.9%
General and administrative	9,504	10,246	(742)	-7.2%
Restructuring costs	2,728	-	2,728	100.0%
Total operating expenses	$ 33,234	$ 47,682	$ (14,448)	-30.3%
Loss from operations	(33,234)	(47,682)	14,448	-30.3%
Other income, net	1,360	127	1,233	970.9%
Net loss	$ (31,874)	$ (47,555)	$ 15,681	-33.0%

Research and development expenses

Research and development expenses were comprised of:

	Nine Months Ended September 30,		Change	
	2023	2022	Amount	Percent
	(in thousands)			
Preclinical studies and clinical trial-related activities	$ 7,320	$ 22,605	$ (15,285)	-67.6%
Chemistry, manufacturing and control	2,059	4,423	(2,364)	-53.4%
Personnel	6,346	6,922	(576)	-8.3%
Consultants and other costs	5,277	3,486	1,791	51.4%
Total research and development expenses	$ 21,002	$ 37,436	$ (16,434)	-43.9%

Research and development expenses were $21.0 million for the nine months ended September 30, 2023, compared to $37.4 million for the nine months ended September 30, 2022. The decrease of $16.4 million was primarily related to decreased clinical trial-related expenses of $15.3 million due to discontinued clinical trial activities and decreased chemistry, manufacturing and control costs of $2.3 million and decreased personnel costs of $0.6 million, offset by increased consulting related costs and other research and development costs of $1.8 million.

General and administrative expenses

General and administrative expenses were $9.5 million for the nine months ended September 30, 2023, compared to $10.2 million for the nine months ended September 30, 2022. The decrease of $0.7 million was primarily related to decreased insurance costs of $0.8 million and decreased consulting related costs of $0.6 million, offset by increased personnel costs of $0.7 million primarily related to an employee termination.

Other income (expense), net

Other income (expense), net for the nine months ended September 30, 2023 was $1.4 million, compared to $0.1 million for the nine months ended September 30, 2022. The increase of $1.3 million was primarily due to increased net interest income and increased foreign exchange transaction gain (loss), net.

Liquidity and Capital Resources

Sources of Liquidity

Our operations to date have been financed primarily through our IPO, the issuance of common stock through our ATM Program (as defined below), the issuance of convertible preferred shares and convertible notes. Since inception, we have had significant operating losses. On November 2, 2020, we completed our IPO in which we raised $86.3 million in net proceeds. On November 4, 2021, we filed with the SEC, and the SEC declared effective on November 12, 2021, a registration statement on Form S-3, or the Registration Statement, which registers the offering, issuance and sale of up to $200.0 million of our common stock, preferred stock, debt securities, warrants, subscription rights and/or units of any combination thereof. Simultaneous with the filing of the Registration Statement, we entered into an Open Market Sale Agreement℠ with Jefferies LLC, as sales agent, to provide for the issuance and sale of up to $50.0 million of our common stock from time to time in "at-the-market" offerings under the Registration Statement and related prospectus, or the ATM Program. During the three and nine months ended September 30, 2023, we sold an aggregate of 90,798 shares and 1,460,305 shares, respectively, of our common stock under the ATM Program at a weighted average selling price of $2.54 per share and $2.10 per share, respectively. During the three and nine months ended September 30, 2022, we sold an aggregate of 238,891 shares and 319,197 shares, respectively, of our common stock under the ATM Program at a weighted average selling price of $1.99 per share during both periods.

Our net losses were $8.1 million and $31.9 million for the three and nine months ended September 30, 2023, respectively. Our net losses were $13.7 million and $47.6 million for the three and nine months ended September 30, 2022, respectively. As of September 30, 2023, we had an accumulated deficit of $249.6 million and $44.2 million in cash, cash equivalents and marketable securities. Our primary use of cash is to fund operating expenses, which consist primarily of research and development expenditures, and to a lesser extent, general and administrative expenditures. Cash used to fund operating expenses is impacted by the timing of when we pay these expenses, as reflected in the change in our outstanding accounts payable and accrued expenses.

Cash Flows

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

	Nine Months Ended September 30,	
	2023	2022
	(in thousands)	
Net cash used in operating activities	$ (25,437)	$ (31,484)
Net cash provided by (used in) investing activities	12,750	(1,946)
Net cash provided by financing activities	2,876	442
Net decrease in cash and cash equivalents	$ (9,811)	$ (32,988)

Net Cash Used in Operating Activities

Cash used in operating activities of $25.4 million during the nine months ended September 30, 2023 was primarily attributable to our net loss of $31.9 million together with non-cash items of $4.6 million principally with respect to stock-based compensation and a net increase of $1.9 million in components of our working capital.

Cash used in operating activities of $31.5 million during the nine months ended September 30, 2022 was primarily attributable to our net loss of $47.6 million together with non-cash items of $5.1 million principally with respect to stock-based compensation and a net increase of $11.0 million in components of our working capital.

Net Cash Used in Investing Activities

Cash provided by investing activities of $12.8 million during the nine months ended September 30, 2023 was the result of $38.7 million in proceeds from the sale of marketable securities, offset by $25.9 million for the purchase of marketable securities.

Cash used in investing activities of $1.9 million during the nine months ended September 30, 2022 was the result of $40.7 million for the purchase of marketable securities and $0.1 million for the purchase of property and equipment, offset by $38.9 million in proceeds from the sale of marketable securities.

Net Cash Provided by Financing Activities

Cash provided by financing activities of $2.9 million during nine months ended September 30, 2023 was the result of net proceeds from the issuance of our common stock.

Cash provided by financing activities of $0.4 million during nine months ended September 30, 2022 was the result of net proceeds from the issuance of our common stock.

Funding Requirements

We currently expect our expenses to decrease in the near future due to our decision to stop development of certain of our product candidates and reduce our workforce while we explore strategic alternatives, however, some of these savings will be offset by an increase in legal, accounting and advisory expenses and other related charges related to our exploration of strategic alternatives. Subject to the outcome of our exploration of strategic alternatives which may materially change any estimates, and based on current estimates of our expenses going forward, we believe that our existing cash, cash equivalents and marketable securities of $44.2 million as of September 30, 2023 will be sufficient to fund our operating expenditures and capital expenditure requirements through at least the next twelve months from the filing date of this Quarterly Report on Form 10-Q. We have based this estimate on assumptions that may prove to be wrong, and we could exhaust our available capital resources sooner than we expect. However, our resource requirements could materially change to the extent we identify and enter into any strategic transaction. Because our resource requirements could materially change depending on the outcome of our ongoing strategic alternative review process, we are unable to estimate the exact amount of our working capital requirements. Our future funding requirements will depend on and could increase significantly as a result of many known and unknown factors, including those mentioned above.

Until such time, if ever, as we can generate substantial product revenue and subject to our pursuit of a potential strategic transaction and the consummation of such potential transaction, we expect to finance our future operations through our existing cash and cash equivalents and marketable securities and through a combination of equity offerings, including sales under our ATM Program, debt financings, collaborations, strategic alliances, marketing and distribution arrangements, and/or licensing arrangements. Other than funds which can be raised through our ATM Program, we do not currently have any committed external source of funds. To the extent that we raise additional capital through the sale of equity or convertible debt securities, our stockholders' ownership interest will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect our

stockholders' rights as a common stockholder. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making acquisitions or capital expenditures or declaring dividends. If we raise additional funds through collaborations, strategic alliances, marketing and distribution arrangements, or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to us. If we resume the development of our product candidates and are unable to raise additional funds through equity or debt financings or other arrangements when needed, we may be required to delay, limit, reduce or terminate our research, product development or future commercialization efforts, or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

Because of the numerous risks and uncertainties associated with research, development and commercialization of pharmaceutical products, we are unable to estimate the exact amount of our operating capital requirements. Our future funding requirements, both near-term and long-term, will depend on many factors, including, but not limited to:

- the timing and outcome of our exploration of potential strategic alternatives;
- timing of and costs associated with our restructuring, and the savings benefits we except to receive from the restructuring;
- the progress, costs and results of our ongoing Phase 2 clinical trials of GB2064 and GB1211, as well as the progress, costs and results for other preclinical and clinical trials for any future product candidates;
- the scope, progress, results and costs of discovery, research, preclinical development, laboratory testing and clinical trials for our current and future product candidates;
- the impacts of rising inflation and interest rates, geopolitical instability, changes in international trade relationships and conflicts;
- the number of, and development requirements for, other product candidates that we pursue;
- the costs, timing and outcome of regulatory review of our product candidates;
- our ability to enter into contract manufacturing arrangements for supply of active pharmaceutical ingredient, or API, and manufacture of our product candidates and the terms of such arrangements;
- our ability to establish and maintain strategic collaborations, licensing or other arrangements and the financial terms of such arrangements;
- the payment or receipt of milestones and receipt of other collaboration-based revenues, if any;
- the costs and timing of any future commercialization activities, including product manufacturing, sales, marketing and distribution, for any of our product candidates for which we may receive marketing approval;
- the amount and timing of revenue, if any, received from commercial sales of our product candidates for which we receive marketing approval;
- the costs and timing of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property and proprietary rights and defending any intellectual property-related claims;
- the extent to which we acquire or in-license other products, product candidates, technologies or data referencing rights;
- the ability to receive additional non-dilutive funding, including grants from organizations and foundations; and
- the costs of continuing to operate as a public company.

Further, our operating plans may change, and we may need additional funds to meet operational needs and capital requirements for clinical trials and other research and development activities. Because of the numerous risks and uncertainties associated with the development and commercialization of our product candidates, we are unable to estimate the amounts of increased capital outlays and operating expenditures associated with our current and anticipated product development programs.

Critical Accounting Policies and Significant Judgments and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our unaudited interim condensed consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these unaudited interim condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated financial statements, as well as the reported expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

Research and Development Costs

We incur substantial expenses associated with clinical trials. Accounting for clinical trials relating to activities performed by contract research organizations, or CROs, contract manufacturing organizations, or CMOs, and other external vendors requires management to exercise significant estimates in regard to the timing and accounting for these expenses. We estimate costs of research and development activities conducted by service providers, which include, the conduct of sponsored research, preclinical studies and contract manufacturing activities. The diverse nature of services being provided under CRO and other arrangements, the different compensation arrangements that exist for each type of service and the lack of timely information related to certain clinical activities complicates the estimation of accruals for services rendered by CROs, CMOs and other vendors in connection with clinical trials. We record the estimated costs of research and development activities based upon the estimated amount of services provided but not yet invoiced and include these costs in the accrued and other current liabilities or prepaid expenses on the balance sheets and within research and development expense on the condensed consolidated statements of operations. In estimating the duration of a clinical study, we evaluate the start-up, treatment and wrap-up periods, compensation arrangements and services rendered attributable to each clinical trial and fluctuations are regularly tested against payment plans and trial completion assumptions.

We estimate these costs based on factors such as estimates of the work completed and budget provided and in accordance with agreements established with our collaboration partners and third-party service providers. We make significant judgments and estimates in determining the accrued liabilities and prepaid expense balances in each reporting period. As actual costs become known, we adjust our accrued liabilities or prepaid expenses. We have not experienced any material differences between accrued costs and actual costs incurred since our inception.

Our expenses related to clinical trials are based on estimates of patient enrollment and related expenses at clinical investigator sites as well as estimates for the services received and efforts expended pursuant to contracts with multiple research institutions and CROs that may be used to conduct and manage clinical trials on our behalf. We generally accrue expenses related to clinical trials based on contracted amounts applied to the level of patient enrollment and activity. If timelines or contracts are modified based upon changes in the clinical trial protocol or scope of work to be performed, we modify our estimates of accrued expenses accordingly on a prospective basis.

Stock-based Compensation

We have issued stock-based compensation awards through the granting of stock options, which generally vest over a four-year period. We account for stock-based compensation in accordance with ASC 718, *Compensation-Stock Compensation*, or ASC 718. In accordance with ASC 718, compensation cost is measured at estimated fair value and is included as compensation expense over the vesting period during which service is provided in exchange for the award.

We use a Black-Scholes option pricing model to determine fair value of our stock options. The Black-Scholes option pricing model includes various assumptions, including the fair value of common shares, expected life of stock options, the expected volatility based on the historical volatility of a publicly traded set of peer companies and the expected risk-free interest rate based on the implied yield on a U.S. Treasury security. These assumptions reflect our best estimates, but they involve inherent uncertainties based on market conditions generally outside our control. As a result, if other assumptions had been used, stock-based compensation

cost could have been materially impacted. Furthermore, if we use different assumptions for future grants, share-based compensation cost could be materially impacted in future periods.

The fair value of our awards in the nine months ended September 30, 2023 has been estimated using Black-Scholes based on the following assumptions: expected term of 6.0 years; expected volatility of 91.0%; risk-free interest rate of 3.8%; and no expectation of dividends. The fair value of our awards in the nine months ended September 30, 2022 has been estimated using Black-Scholes based on the following assumptions: expected term of 6.0 years; expected volatility of 90.0%; risk-free interest rate of 1.7%; and no expectation of dividends.

We will continue to use judgment in evaluating the assumptions utilized for our stock-based compensation expense calculations on a prospective basis. In addition to the assumptions used in the Black-Scholes model, the amount of stock-based compensation expense we recognize in our consolidated financial statements includes stock option forfeitures as they occurred. We recognize forfeitures as they occur, and the compensation expense is reversed in the period that the forfeiture occurs.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating losses and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted statutory tax rates expected to apply to taxable income in the jurisdictions and years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Based on the level of historical operating results and projections for the taxable income for the future, we have determined that it is more likely than not that our net deferred tax assets will not be realized. Accordingly, we have recorded a full valuation allowance to reduce our net deferred tax assets.

We recognize tax benefits from uncertain tax positions only if (based on the technical merits of the position) it is more likely than not that the tax positions will be sustained on examination by the tax authority. The tax benefits recognized in the financial statements from such positions are measured based on the largest amount that is more than 50% likely to be realized upon ultimate settlement. We do not believe there will be any material changes in its unrecognized tax positions over the next 12 months. We have not incurred any interest or penalties. In the event we are assessed interest or penalties at some point in the future, they will be classified in the financial statements as a component of income tax expense.

We operate in multiple jurisdictions, both within and outside the United States, and may be subject to audits from various tax authorities. Management’s judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities, liabilities for uncertain tax positions, and any valuation allowance recorded against our net deferred tax assets. We will monitor the extent to which our deferred tax assets may be realized and adjust the valuation allowance accordingly.

Recently Adopted Accounting Pronouncements

Refer to Note 2, “Summary of Significant Accounting Policies,” in the accompanying notes to our consolidated financial statements for the nine months ended September 30, 2023 and 2022 appearing elsewhere in this Quarterly Report on Form 10-Q for a discussion of recent accounting pronouncements.

Nasdaq Delisting Notice

On September 27, 2023, we received a written notice from the staff of Nasdaq’s Listing Qualifications Department, notifying us that, for the prior 30 consecutive business days, the bid price for our common stock had closed below the $1.00 per share minimum bid price requirement for continued listing on Nasdaq pursuant to Nasdaq Listing Rule 5450(a)(1), or the Minimum Bid Price Requirement. In accordance with Nasdaq Listing Rule 5810(c)(3)(A), we have 180 calendar days, or until March 25, 2024, to regain compliance with the Minimum Bid Price Requirement. If we fail to satisfy the continued listing requirements of Nasdaq, such as the Minimum Bid Price Requirement, Nasdaq may take steps to delist our common stock. Such a delisting would likely have a negative effect on the price of our common stock and may, among other things, adversely impact our ability to raise additional capital or enter into strategic transactions. See “Part II - Item 1A. Risk Factors” for additional information.

Emerging Growth Company and Smaller Reporting Company Status

As an emerging growth company, or EGC, under the Jumpstart our Business Startups Act of 2012, or the JOBS Act, we may delay the adoption of certain accounting standards until such time as those standards apply to private companies. Other exemptions and reduced reporting requirements under the JOBS Act for EGCs include presentation of only two years of audited consolidated financial statements in a registration statement for an IPO, an exemption from the requirement to provide an auditor's report on internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act, an exemption from any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation, and less extensive disclosure about our executive compensation arrangements.

In addition, the JOBS Act provides that an EGC can take advantage of an extended transition period for complying with new or revised accounting standards. This provision allows an EGC to delay the adoption of some accounting standards until those standards would otherwise apply to private companies. We have elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our condensed consolidated financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

We may remain classified as an EGC until the end of the fiscal year following the fifth anniversary of the completion of our IPO, although if the market value of our common stock that is held by non-affiliates exceeds $700 million as of June 30 of any year before that time, or if we have annual gross revenues of $1.235 billion or more in any fiscal year, we would cease to be an EGC as of December 31 of the applicable year. We also would cease to be an EGC if we issue more than $1.0 billion of non-convertible debt over a three-year period.

We are also a "smaller reporting company," meaning that the market value of our shares held by non-affiliates is less than $700 million and our annual revenue was less than $100 million during the most recently completed fiscal year. We may continue to be a smaller reporting company if either (i) the market value of our shares held by non-affiliates is less than $250 million or (ii) our annual revenue was less than $100 million during the most recently completed fiscal year and the market value of our shares held by non-affiliates is less than $700 million. If we are a smaller reporting company at the time, we cease to be an emerging growth company, we may continue to rely on exemptions from certain disclosure requirements that are available to smaller reporting companies. Specifically, as a smaller reporting company, we may choose to present only the two most recent fiscal years of audited financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 and, similar to emerging growth companies, smaller reporting companies have reduced disclosure obligations regarding executive compensation.

Effects of Inflation

Our assets are primarily monetary, consisting of cash and cash equivalents. Because of their liquidity, these assets are not directly affected by inflation. Since we intend to retain and continue to use our equipment, furniture, fixtures and office equipment, computer hardware and software and leasehold improvements, we believe that the incremental inflation related to replacement costs of such items will not materially affect our operations. However, the rate of inflation affects our expense and use of our resources. We continue to monitor the impact of inflation on these costs in order to minimize its effects through productivity improvements and cost reductions. There can be no assurance, however, that our operating results will not be affected by inflation in the future.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are a smaller reporting company as defined by Item 10 of Regulation S-K and are not required to provide the information otherwise required under this item.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and our principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2023. Based on the evaluation of our disclosure controls and procedures as of September 30, 2023, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective at the reasonable assurance level.

The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act are recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial and accounting officer, as appropriate to allow timely decisions regarding required disclosure. 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

There has been no change in our internal control over financial reporting as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

We are not party to any material legal matters or claims. We may become party to legal matters and claims arising in the ordinary course of business. We cannot predict the outcome of any such legal matters or claims, and despite the potential outcomes, the existence thereof may have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

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, 2022, which could materially affect our business, financial condition, or results of operations. Except for the risk factors included below, there have been no material changes in or additions to the risk factors referred to in the previous sentence.

Risks Related to Strategic Alternative Process and Potential Strategic Transaction

We may not be successful in identifying and implementing any strategic business combination or other transaction and any strategic transactions that we may consummate in the future could have negative consequences.

In addition to our efforts, if any, to pursue clinical development of GB1211, GB2064 or any other product candidate, we also continue to evaluate all potential strategic options for the company, including a merger, reverse merger, sale, liquidation and dissolution or other strategic transaction. However, there can be no assurance that we will be able to successfully consummate any particular strategic transaction. The process of continuing to evaluate these strategic options may be very costly, time-consuming and complex and we have incurred, and may divert us from pursuing clinical development of GB1211, GB2064 or any other product candidate. Additionally, we may incur significant costs related to this continued evaluation, such as financial advisor, legal and accounting fees and expenses and other related charges. We may also incur additional unanticipated expenses in connection with this process. A considerable portion of these costs will be incurred regardless of whether any such course of action is implemented or transaction is completed. Any such expenses will decrease the remaining cash available for use in our business and may diminish or delay any future distributions to our stockholders.

In addition, any strategic business combination or other transactions that we may consummate in the future could have a variety of negative consequences and we may implement a course of action or consummate a transaction that yields unexpected results that adversely affects our business and decreases the remaining cash available for use in our business or the execution of our strategic plan. There can be no assurances that any particular course of action, business arrangement or transaction, or series of transactions, will be pursued, successfully consummated, lead to increased stockholder value, or achieve the anticipated results. Any failure of such potential transaction to achieve the anticipated results could significantly impair our ability to enter into any future strategic transactions, will decrease the remaining cash available for use in our business and may significantly diminish or delay any future distributions to our stockholders.

We may not realize any additional value in a strategic transaction.

The market capitalization of our company is below the value of our cash and cash equivalents. Potential counterparties in a strategic transaction involving our company may place minimal or no value on our other assets given the limited data relating to these assets. Further, the development and any potential commercialization of our product candidates will require substantial additional cash to fund the costs associated with conducting the necessary preclinical and clinical testing and obtaining regulatory approval. Consequently, any potential counterparty in a strategic transaction involving our company may choose not to spend additional resources and continue development of our product candidates and may attribute little or no value, in such a transaction, to those product candidates.

If we are successful in completing a strategic transaction, we may be exposed to other operational and financial risks.

Although there can be no assurance that a strategic transaction will result from the process we have undertaken to identify and evaluate strategic alternatives, the negotiation and consummation of any such transaction will require significant time on the part of our management, and the diversion of management's attention may disrupt our business.

The negotiation and consummation of any such transaction may also require more time or greater cash resources than we anticipate and expose us to other operational and financial risks, including:

- increased near-term and long-term expenditures;
- exposure to unknown liabilities;
- higher than expected acquisition or integration costs;
- incurrence of substantial debt or dilutive issuances of equity securities to fund future operations;
- write-downs of assets or goodwill or incurrence of non-recurring, impairment or other charges;
- increased amortization expenses;
- difficulty and cost in combining the operations and personnel of any acquired business with our operations and personnel;
- impairment of relationships with key suppliers or customers of any acquired business due to changes in management and ownership;
- inability to retain key employees of our company or any acquired business; and
- possibility of future litigation.

Any of the foregoing risks could have a material adverse effect on our business, financial condition and prospects.

If a strategic transaction is not consummated, our board of directors, or Board, may decide to pursue a dissolution and liquidation. In such an event, the amount of cash available for distribution to our stockholders will depend heavily on the timing of such liquidation as well as the amount of cash that will need to be reserved for commitments and contingent liabilities.

There can be no assurance that a strategic transaction will be completed. If a strategic transaction is not completed, our Board may decide to pursue a dissolution and liquidation. In such an event, the amount of cash available for distribution to our stockholders will depend heavily on the timing of such decision and, as with the passage of time the amount of cash available for distribution will be reduced as we continue to fund our operations. In addition, if our Board were to approve and recommend, and our stockholders were to approve, a dissolution and liquidation, we would be required under Delaware corporate law to pay our outstanding obligations, as well as to make reasonable provision for contingent and unknown obligations, prior to making any distributions in liquidation to our stockholders. As a result of this requirement, a portion of our assets may need to be reserved pending the resolution of such obligations and the timing of any such resolution is uncertain. In addition, we may be subject to litigation or other claims related to a dissolution and liquidation. If a dissolution and liquidation were pursued, our Board, in consultation with our advisors, would need to evaluate these matters and make a determination about a reasonable amount to reserve. Accordingly, holders of our common stock could lose all or a significant portion of their investment in the event of a liquidation, dissolution or winding up.

Our ability to consummate a strategic transaction depends on our ability to retain our employees required to consummate such transaction.

Our ability to consummate a strategic transaction depends upon our ability to retain our employees required to consummate such a transaction, the loss of whose services may adversely impact the ability to consummate such transaction. In September 2023, we undertook an organizational restructuring that significantly reduced our workforce in order to conserve our capital resources. Our cash conservation activities may yield unintended consequences, such as attrition beyond our planned reduction in workforce and reduced employee morale, which may cause remaining employees to seek alternative employment and may cause us to incur additional costs in order to retain our remaining employees. Our ability to successfully complete a strategic transaction depends in large part on our ability to retain certain of our remaining personnel. If we are unable to successfully retain our remaining personnel, we are at risk of a disruption to our exploration and consummation of a strategic alternative as well as business operations.

Our corporate restructuring and the associated headcount reduction may not result in anticipated savings, could result in total costs and expenses that are greater than expected and could disrupt our business.

In September 2023, we undertook an organizational restructuring that significantly reduced our workforce, including the departure of our chief medical officer and our chief operating officer. We may not realize, in full or in part, the anticipated benefits, savings and improvements in our cost structure from our restructuring efforts due to unforeseen difficulties, delays or unexpected costs. If we are unable to realize the expected operational efficiencies and cost savings from the restructuring, our operating results and financial condition would be adversely affected. Furthermore, our restructuring plan may be disruptive to our operations. For example, our headcount reductions could yield unanticipated consequences, such as increased difficulties in implementing our business strategy, including retention of our remaining employees.

Any future growth would impose significant added responsibilities on members of management, including the need to identify, recruit, maintain and integrate additional employees. Due to our limited resources, we may not be able to effectively manage our operations or recruit and retain qualified personnel, which may result in weaknesses in our infrastructure and operations, risks that we may not be able to comply with legal and regulatory requirements, and loss of employees and reduced productivity among remaining employees. For example, the workforce reduction may negatively impact our clinical, regulatory, technical operations, and commercial functions, should we choose to continue to pursue them, which would have a negative impact on our ability to successfully develop, and ultimately, commercialize our product candidates. Our future financial performance and our ability to develop our product candidates or additional assets will depend, in part, on our ability to effectively manage any future growth or restructuring, as the case may be.

The impact and results of our ongoing strategic process are uncertain and may not be successful.

We may continue to focus our efforts on creating value from GB1211, GB2064 or other product candidates for our stockholders through a sale or other transaction involving the program and pursuing potential strategic options for our company as a whole.

Our board of directors remains dedicated to diligently deliberating upon and making informed decisions that the directors believe are in the best interests of the company and its stockholders. There can be no assurance, however, that the company's current strategic direction, or the board's evaluation of strategic alternatives, will result in any initiatives, agreements, transactions or plans that will further enhance stockholder value.

We may become involved in securities class action litigation that could divert management's attention and harm the company's business, and insurance coverage may not be sufficient to cover all costs and damages.

In the past, securities class action litigation has often followed certain significant business transactions, such as the sale of a company or announcement of any other strategic transaction, or the announcement of negative events, such as negative results from clinical trials. These events may also result in investigations by the Securities and Exchange Commission. We may be exposed to such litigation or investigation even if no wrongdoing occurred. Litigation and investigations are usually expensive and divert management's attention and resources, which could adversely affect our business and cash resources and our ability to consummate a potential strategic transaction or the ultimate value our stockholders receive in any such transaction.

Risks Related to Our Common Stock

Our failure to meet Nasdaq's continued listing requirements could result in a delisting of our common stock.

If we fail to satisfy the continued listing requirements of the Nasdaq Stock Market, or Nasdaq, such as the corporate governance requirements or the requirement to maintain a minimum bid price of $1.00 per share of our common stock pursuant to Nasdaq Listing Rule 5450(a)(1), or the Minimum Bid Price Requirement, Nasdaq may take steps to delist our common stock. Such a delisting would likely have a negative effect on the price of our common stock and would impair your ability to sell or purchase our common stock when you wish to do so. Any such delisting could also adversely impact our ability to raise additional capital or enter into strategic transactions.

On September 27, 2023, we received a written notice from the staff, or the Staff, of Nasdaq's Listing Qualifications Department, notifying us that, for the prior 30 consecutive business days , our common stock had not complied with the Minimum Bid Price Requirement. Nasdaq's written notice does not result in the immediate delisting of our common stock from Nasdaq.

In accordance with Nasdaq Listing Rule 5810(c)(3)(A), the Company has 180 calendar days, or until March 25, 2024, or the Compliance Date, to regain compliance with the Minimum Bid Price Requirement. According to the written notice, if, at any time

during this 180-day period, the closing bid price for our common stock is at least $1.00 per share for a minimum of ten consecutive business days, the Staff will provide written confirmation of compliance and the common stock will remain listed on The Nasdaq Global Market.

If we do not regain compliance with the Minimum Bid Price Requirement by the Compliance Date, we may be eligible for an additional 180 calendar day compliance period. To qualify, we would be required to transfer our listing to The Nasdaq Capital Market and meet the continued listing requirement for the market value of publicly held shares and all other applicable initial listing standards for The Nasdaq Capital Market, with the exception of the Minimum Bid Price Requirement, and would need to provide written notice to Nasdaq of our intention to cure the deficiency during the additional 180-day compliance period, such as by effecting a reverse stock split, if necessary.

As part of its review process, the Staff will make a determination of whether it believes we will be able to cure this deficiency. If the Staff determines that we will not be able to cure the deficiency, then the Staff will provide us written notice that our common stock will be subject to delisting. At that time, we may appeal the Staff's delisting determination to a Nasdaq Hearing Panel. There can be no assurance that, if we receive a delisting notice and appeal the delisting determination by the Staff to the Nasdaq Hearing Panel, such appeal would be successful.

We intend to monitor the closing bid price of our common stock and may, if appropriate, consider available options to regain compliance with the Minimum Bid Price Requirement. However, we can provide no assurance that actions taken or not taken by us will restore compliance with Nasdaq's listing requirements, stabilize the market price of our common stock, improve the liquidity of our common stock or prevent future non-compliance with Nasdaq's listing requirements.

Additionally, if our common stock is not listed on, or becomes delisted from, Nasdaq for any reason, trading our common stock could be conducted only in the over-the-counter, or OTC, market or on an electronic bulletin board established for unlisted securities such as the OTC Bulletin Board, an inter-dealer automated quotation system for equity securities that is not a national securities exchange, and the liquidity and price of our common stock may be more limited than if we were quoted or listed on Nasdaq or another national securities exchange. In such circumstances, you may be unable to sell your common stock unless a market can be established or sustained.

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

Use of proceeds from registered securities

On November 2, 2020, we completed our IPO in which we issued and sold 6,342,207 shares of common stock, $0.00001 par value per share, including 675,540 shares of common stock sold pursuant to the underwriters' exercise of their option to purchase additional shares of common stock. The offer and sale of the shares in the IPO was registered under the Securities Act pursuant to registration statements on Form S-1 (File No. 333-249369), which was filed with the SEC on October 7, 2020 and subsequently amended and declared effective on October 28, 2020, or the Prospectus. The underwriters of the offering were BofA Securities, Inc., SVB Leerink LLC, Credit Suisse Securities (USA) LLC and Kempen & Co U.S.A, Inc.

We raised $86.3 million in net proceeds after deducting underwriting discounts and commissions of $6.7 million and other offering expenses of $2.1 million payable by us. No underwriting discounts and commissions or offering expenses were paid directly or indirectly to any of our directors of officers (or their associates) or persons owning ten percent or more of any class of our equity securities or to any other affiliates.

As of September 30, 2023, $44.6 million of the net proceeds from our IPO have been used for general working capital purposes, including the funding of our clinical development programs. We have invested the unused net proceeds from the offering in money market accounts and marketable debt securities. We expect to use the net proceeds from the offering described in our final prospectus filed pursuant to Rule 424(b)(4) under the Securities Act with the SEC on October 30, 2020, to fund our clinical development programs, including GB1211 and GB2064, as well as pursue strategic alternatives that include, without limitation, an acquisition, merger, business combination or other transactions, as well as exploring strategic alternatives related to our product candidates and related assets, including, without limitation, licensing transactions and asset sales.

Issuer Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

Not Applicable.

Item 6. Exhibits.

Exhibit Number	Description
10.1*+	Bonus Agreement between the Galecto Biotech ApS and Hans Schambye, dated September 26, 2023.
10.2*	Retention Compensation Agreement between the Company and Jonathan Freve, dated September 26, 2023.
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*†	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

+Certain identified information has been excluded from the exhibit pursuant to Item 601(b) (10) (iv) of Regulation S-K.

† This certification will not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent specifically incorporated by reference into such filing.

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.

Galecto, Inc.

Date: November 6, 2023

By: /s/ Hans T. Schambye

Hans T. Schambye, M.D., Ph.D.
President, Chief Executive Officer and Director
(Principal Executive Officer)

Date: November 6, 2023

By: /s/ Jonathan Freve

Jonathan Freve
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 10.1

CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT BOTH (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED. OMITTED INFORMATION HAS BEEN REPLACED BY ASTERISKS

Bonus Agreement

GALECTO BIOTECH ApS

and

Hans Thalsgård Schambye

GALECTO BIOTECH ApS
CVR no. 34878366
Ole Maaløes Vej 3
2200 København N
(the "**Company**")

and

Hans Thalsgård Schambye
[Address Omitted]
(the "**CEO**")

(each a "**Party**" and collectively referred to as the "**Parties**")

have today entered into this retention bonus agreement (the "**Bonus Agreement**") relating to the service agreement between the Parties, dated 23 April 2013 (the "**Service Agreement**").

1. Background

1.1 The purpose of the Bonus Agreement is to offer the CEO additional incentive to work for creating even more value in the Company.

1.2 The Parties agree that the CEO will be entitled to receive a bonus on the terms and conditions outlined in this Bonus Agreement.

2. Bonus

2.1 Subject to clause 2.2 below, the CEO may be eligible to receive a bonus in the total amount of 60 % of his base salary in case one or more of the Bonus Events (as defined below) are fulfilled (the total amount referred to as the "**Bonus Amounts**"). Each of the Bonus Events triggers the payment of a bonus corresponding to 20% of the base salary, subject to the Company's usual withholding obligations with respect to taxes, social security etc.

i. If a Sale Event, as defined in clause 3 of Galecto Inc.'s Executive Separation Benefits Plan (the "**Executive Separation Benefits Plan**"), takes place before 30 June 2024 ("**Bonus Event 1**"), the CEO will be entitled to receive a bonus corresponding to 20% of his annual base salary which will be paid out to the CEO by no later than 4 weeks after the closing of the Sale Event.

For the sake of good order and referring to the Executive Separation Benefits Plan, the Sale Event is defined as meaning (i) the sale of all or substantially all of the assets of Galecto Inc. on a consolidated basis to an unrelated person or entity, (ii) a merger, reorganization or consolidation pursuant to which the holders of Galecto Inc.'s outstanding voting power and outstanding stock immediately prior to such transaction do not own a majority of the outstanding voting power and outstanding stock or other equity interests of the resulting or successor entity (or its ultimate parent, if applicable) immediately upon completion of such transaction, (iii) the sale of all of the common stock of Galecto Inc. to an unrelated person, entity or group thereof acting in concert, or (iv) any other transaction in which the owners of Galecto, Inc.'s outstanding voting power immediately prior to such transaction do not own at least a majority of the

outstanding voting power of Galecto, Inc. or any successor entity immediately upon completion of the transaction other than as a result of the acquisition of securities directly from Galecto, Inc. For the avoidance of doubt, if a Sale Event has not taken place by no later than 30 June 2024, the CEO will not be entitled to receive any bonus for Bonus Event 1;

ii. If an asset sale of ******* to a third-party has taken place by no later than 30 June 2024 ("**Bonus Event 2**"), the CEO will be entitled to receive a bonus corresponding to 20% of his base salary which will be paid out to the CEO by no later than 4 weeks after the closing of the asset sale referred to above. For the avoidance of doubt, if an asset sale for ****** has not taken place by no later than 30 June 2024, the CEO will not be entitled to receive any bonus for Bonus Event 2; and

iii. If at the earlier of a Sale Event or 30 September 2024, the Company has retained ******* as of such event or date (the "**Bonus Event 3**"), the CEO will be entitled to receive a bonus corresponding to 20% of his base salary which will be paid out to the CEO by no later than 4 weeks after the closing of the sale event or 30 September 2024, as the case may be.

(The bonus for Bonus Event 1, bonus for Bonus Event 2 and bonus for Bonus Event 3 are for the purpose of this Bonus Agreement collective referred to as the "**Bonus Events**").

2.2 The Parties agree that the payment of each of the Bonus Amounts is in full and total conditional upon the CEO being employed with the Company at the time of the payment of each bonus. If the CEO is not employed with the Company at the payout date, he will not be entitled to receive any bonus.

3. Clawback

3.1 The Company may demand repayment of any bonus set out in this Bonus Agreement that has been disbursed to the CEO, if:

(i) at a later stage it becomes apparent that the information that formed the basis of the pay-out of the bonusses was subject to considerable errors and/or uncertainties, and

(ii) the CEO was or should have been aware of the fact that the information that formed the basis of the pay-out of the bonusses was subject to considerable errors and/or uncertainties.

3.2 If the Company demands a full or partial repayment of the bonusses and this amount has not been paid within 14 days of the Company's written demand to the CEO, the Company is entitled to set off the amount claimed against amounts owed by the Company, including amounts due in connection with future salary or other remuneration received by the CEO.

4. Other Terms and Conditions

4.1 Subject to the Company's withholding obligations, the Bonus Amounts (if any) shall constitute the gross amount payable by the Company to the CEO, hence, the Bonus Amounts shall be deemed to comprise all – and shall not generate any further salary-related payments, including but not limited to any pension contributions or benefits otherwise arising from or pertaining to the Bonus Amounts.

4.2 Any tax consequences for the CEO resulting from the Bonus Agreement are of no concern to the Company.

4.3 The CEO's general terms of employment under the Service Agreement will continue to apply unchanged.

5. Miscellaneous

5.1 By signing the Bonus Agreement, the CEO confirms that he has received and read the terms and condition of this Bonus Agreement.

5.2 Any amendment to this Bonus Agreement shall be valid only if made in writing and signed by the Parties.

5.3 If any legislation prevents the enforcement of one or more clauses of this Bonus Agreement, that particular clause will be void while the remaining provisions of this Bonus Agreement shall remain valid to the extent possible.

6. Governing Law and Jurisdiction

6.1 This Bonus Agreement is governed by Danish law. The Parties once again confirm that the CEO is not comprised by the Danish Salaried Employees Act or the Danish Holiday Act.

6.2 Any dispute arising out of or in connection with this Bonus Agreement, including disputes regarding the existence, validity or termination thereof, shall be settled by the same venue, forum and procedure as the Service Agreement entered into between the CEO and the Company.

7. Counterparts

7.1 The Bonus Agreement will be appended to the Service Agreement.

7.2 The Bonus Agreement is prepared in duplicate, one for each Party.

Date: 26 September 2023
For GALECTO BIOTECH ApS

/s/ Jonathan Freve
Jonathan Freve

Date: 26 September 2023

/s/ Hans Thalsgård Schambye
Hans Thalsgård Schambye

Exhibit 10.2

September 26, 2023

Jonathan Freve
[Address Omitted]

Re: Retention Compensation

Dear Jon:

As you know, Galecto, Inc. (or its affiliate as applicable, the "Company") greatly appreciates your efforts and hopes to continue working with you in the future. In order to encourage your continued efforts for the Company, the Company is offering you the opportunity to receive retention compensation as specified below, subject to this "Agreement":

1. Retention Bonus. If you remain employed by the Company or an affiliate of the Company through the earliest of: (i) December 31, 2024; (ii) the consummation of a Sale Event (as defined in the Executive Separation Benefit Plan (the "Plan"), adopted by the Board of Directors of the Company on June 30, 2021); or (iii) your termination by the Company without Cause (as defined in the Plan) (the earliest of (i), (ii) and (iii) is the "Retention Date"), the Company shall pay you a "Retention Bonus" equal to 100% of your annual bonus target as in effect on the Retention Date, within 45 days after the Retention Date.

2. Annual Bonus Eligibility. You will remain eligible for annual bonuses for 2023 and 2024, subject in all respects to bonus terms as determined by the Company in its discretion.

3. Continuing Obligations. You hereby reaffirm your confidentiality, restrictive covenant and other ongoing obligations to the Company and/or any Company affiliate (the "Continuing Obligations"). The Continuing Obligations are incorporated herein by reference. You agree that your eligibility for the compensation described in this Agreement constitutes additional, fair and reasonable, mutually agreed-upon consideration for your Continuing Obligations that is independent of your employment with the Company.

4. Confidentiality. You are requested not to disclose the existence or terms of this arrangement to other employees of the Company except as necessary for addressing any matters concerning the administration of the compensation described in this Agreement or as required by applicable law. Nothing in the foregoing limits your rights to discuss terms and conditions of your employment under the National Labor Relations Act, if applicable.

5. Preservation of At-Will Employment. Nothing in this letter changes the at-will nature of your employment with the Company, to the fullest extent provided by applicable law.

6. 409A; Taxes. It is intended that the benefits provided under this Agreement shall comply with the provisions of Section 409A of the Internal Revenue Code ("Section 409A") or qualify for an exemption to Section 409A, and this Agreement shall be construed and interpreted in accordance with such intent. Any payments that qualify for the "short term deferral" exception or another exception under Section 409A shall be paid under the applicable exception. Each payment provided under this Agreement shall be treated as a separate payment for Section 409A purposes. Neither the Company (or its affiliates) or any employee, officer or director of the Company (or its affiliates) shall be held liable for any taxes, interest, penalties or other monetary amounts owed by you as a result of this Agreement. All compensation described in this Agreement shall be subject to applicable tax-related deductions and other lawful withholdings.

7. Integration. This Agreement constitutes the entire agreement between you and the Company (including all affiliates of the Company) with respect to the subject matter of this Agreement and supersedes any prior or contemporaneous communications, understandings or agreements with respect to the subject matter of this Agreement. In entering into this Agreement, you agree that you are not relying on any prior or contemporaneous promises or representations of the Company or any Company affiliate with respect to the subject matter hereof, except as are expressly set forth herein.

8. Deadline for Return. To accept this Agreement, you must return a signed original or a signed PDF copy of this Agreement so that it is received by me no later than 7 days after the date of this Agreement.

9. Governing Law; Jurisdiction; Amendment and Waiver; Jury Waiver. This Agreement (including any disputes relating to this Agreement ("Disputes")) shall be governed by the law of Massachusetts (the "Jurisdiction"), excluding laws relating to conflicts or choice of law; (ii) you and the Company submit to the exclusive personal jurisdiction and venue of the federal and state (or provincial, as the case may be) courts located in the Jurisdiction in connection with any Dispute; and (iii) you and the Company waive any right to a jury with respect to any Dispute, to the fullest extent permitted by applicable law. This letter may not be modified or amended, and no breach shall be deemed to be waived, unless agreed to in writing by you and the Chief Executive Officer of the Company.

10. Assignment. The Company may assign this Agreement without your consent to any affiliate or to any person or entity with whom the Company shall hereafter effect a reorganization, consolidate with, or merge into or to whom it transfers all or substantially all of its properties or assets. You may not assign this Agreement.

The Company hopes that this letter encourages your continued effective commitment to the Company.

Sincerely,

/s/ Hans T. Schambye
Hans T. Schambye
President and CEO

Accepted and Agreed:

/s/ Jonathan Freve	26 September 2023
Jonathan Freve	Date

Exhibit 31.1

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

I, Hans T. Schambye, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2023 of Galecto, 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)) 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 statement 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 6, 2023

By: /s/ Hans T. Schambye

Hans T. Schambye, M.D., Ph.D.
President, Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 31.2

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

I, Jonathan Freve, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2023 of Galecto, 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)) 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 statement 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 6, 2023

By: /s/ Jonathan Freve

Jonathan Freve
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Hans T. Schambye, the Chief Executive Officer, and Jonathan Freve, the Chief Financial Officer, of Galecto, Inc. (the "Company"), hereby certify, that, to their knowledge:

(1) the Quarterly Report on Form 10-Q for the period ended September 30, 2023 (the "Report") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: November 6, 2023

By: /s/ Hans T. Schambye

Hans T. Schambye, M.D., Ph.D.
President, Chief Executive Officer and Director
(Principal Executive Officer)

Date: November 6, 2023

By: /s/ Jonathan Freve

Jonathan Freve
Chief Financial Officer
(Principal Financial and Accounting Officer)