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 March 31, 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: 001-39696

COMPASS THERAPEUTICS, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**82-4876496**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
80 Guest St., Suite 601 **Boston, Massachusetts**	**02135**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (617) 500-8099

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, $0.0001 par value per share	CMPX	NASDAQ Capital Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

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

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

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

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

As of April 26, 2023, the registrant had 126,507,473 shares of common stock, $0.0001 par value per share, outstanding.

Auditor Firm Id: 596 Auditor Name: CohnReznick LLP Auditor Location: Melville, NY U.S.A.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

Compass Therapeutics, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(In thousands, except par value)

	March 31, 2023 (unaudited)	December 31, 2022 (Note 1)
Assets		
Current assets:		
Cash and cash equivalents	$ 27,027	$ 34,946
Marketable securities	148,143	151,663
Prepaid expenses and other current assets	8,432	8,182
Total current assets	183,602	194,791
Property and equipment, net	1,373	1,567
Operating lease, right-of-use ("ROU") asset	2,680	2,967
Other assets	320	320
Total assets	$ 187,975	$ 199,645
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 1,125	$ 3,382
Accrued expenses	8,943	11,690
Operating lease obligations, current portion	1,122	1,097
Total current liabilities	11,190	16,169
Operating lease obligations, long-term portion	1,520	1,838
Total liabilities	12,710	18,007
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Common stock, $0.0001 par value: 300,000 shares authorized; 126,507 and 126,495 shares issued at March 31, 2023 and December 31, 2022, respectively; 126,375 and 126,302 shares outstanding at March 31, 2023 and December 31, 2022, respectively	13	13
Additional paid-in-capital	456,049	454,741
Accumulated other comprehensive loss	(146)	(302)
Accumulated deficit	(280,651)	(272,814)
Total stockholders' equity	175,265	181,638
Total liabilities and stockholders' equity	$ 187,975	$ 199,645

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

Compass Therapeutics, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations and Comprehensive Loss (Unaudited)
(In thousands, except per share data)

	Three Months Ended March 31,	
	2023	**2022**
Operating expenses:		
Research and development	$ 6,638	$ 4,415
General and administrative	3,073	2,767
Total operating expenses	9,711	7,182
Loss from operations	(9,711)	(7,182)
Other income	1,874	20
Loss before income tax expense	(7,837)	(7,162)
Income tax expense	—	—
Net loss	$ (7,837)	$ (7,162)
Net loss per share - basic and diluted	$ (0.06)	$ (0.07)
Basic and diluted weighted average shares outstanding	126,375	100,858
Other comprehensive loss:		
Net loss	$ (7,837)	$ (7,162)
Unrealized gain on marketable securities	156	—
Comprehensive loss	$ (7,681)	$ (7,162)

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

Compass Therapeutics, Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity (Unaudited)
(In thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2022	126,302	$ 13	$ 454,741	$ (302)	$ (272,814)	$ 181,638
Vesting of share-based awards	61	—	—	—	—	—
Stock-based compensation	—	—	1,267	—	—	1,267
Common stock issued upon exercise of options	12	—	41	—	—	41
Unrealized gain on marketable securities	—	—	—	156	—	156
Net loss	—	—	—	—	(7,837)	(7,837)
Balance at March 31, 2023	126,375	$ 13	$ 456,049	$ (146)	$ (280,651)	$ 175,265
Balance at December 31, 2021	100,832	$ 10	$ 373,657	$ —	$ (233,589)	$ 140,078
Vesting of share-based awards	73	—	—	—	—	—
Stock-based compensation	—	—	1,574	—	—	1,574
Net loss	—	—	—	—	(7,162)	(7,162)
Balance at March 31, 2022	100,905	$ 10	$ 375,231	$ —	$ (240,751)	$ 134,490

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

Compass Therapeutics, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows (Unaudited)
(In thousands)

	For the Three Months Ended March 31,	
	2023	2022
Cash flows from operating activities:		
Net loss	$ (7,837)	$ (7,162)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	194	165
Share-based compensation	1,267	1,574
Amortization of premium and discount on marketable securities	(593)	—
ROU asset amortization	287	270
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(250)	(1,313)
Accounts payable	(2,257)	(611)
Accrued expenses	(2,747)	(595)
Operating lease liability	(293)	(270)
Net cash used in operating activities	(12,229)	(7,942)
Cash flows from investing activities:		
Purchases of property and equipment	—	(194)
Purchases of marketable securities	(54,919)	—
Proceeds from sale or maturities of marketable securities	59,188	—
Proceeds from sale of equipment	—	1
Net cash provided by (used in) investing activities	4,269	(193)
Cash flows from financing activities:		
Proceeds from exercise of stock options	41	—
Net cash provided by financing activities	41	—
Net change in cash and cash equivalents	(7,919)	(8,135)
Cash and cash equivalents at beginning of period	34,946	144,514
Cash and cash equivalents at end of period	$ 27,027	$ 136,379
Supplemental disclosure of cash flow information		
Unrealized gain on marketable securities	$ (156)	$ —
Acquisition of equipment included in accrued expenses	$ —	$ 57

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

1. Nature of Business and Basis of Presentation

Compass Therapeutics, Inc. ("Compass" or the "Company") is a clinical-stage, oncology-focused biopharmaceutical company developing proprietary antibody-based therapeutics to treat multiple human diseases. Our scientific focus is on the relationship between angiogenesis and the immune system. Our pipeline includes novel product candidates that leverage our understanding of the tumor microenvironment, including both angiogenesis-targeted agents and immune-oncology focused agents. These product candidates are designed to optimize critical components required for an effective anti-tumor response to cancer. These include modulation of the microvasculature via angiogenesis-targeted agents; induction of a potent immune response via activators on effector cells in the tumor microenvironment; and alleviation of immunosuppressive mechanisms used by tumors to evade immune surveillance. We plan to advance our product candidates through clinical development as both standalone therapies and in combination with our proprietary product candidates as long as their continued development is supported by clinical and nonclinical data. References to Compass or the Company herein include Compass Therapeutics, Inc. and its wholly-owned subsidiaries. The Company was incorporated as Olivia Ventures, Inc. ("Olivia") in the State of Delaware on March 20, 2018. Prior to the Company's reverse merger with Compass Therapeutics LLC (the "Merger"), Olivia was a "shell company" (as defined in Rule 12b-2 of the Securities Exchange Act of 1934, as amended).

The Company is subject to risks and uncertainties common to companies in the biotechnology and pharmaceutical industries. There can be no assurance that the Company's research and development will be successfully completed, that adequate protection for the Company's technology will be obtained, that any products developed will obtain necessary government regulatory approval or that any approved products will be commercially viable. 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 the opinion of management, the accompanying unaudited condensed consolidated financial statements include all normal and recurring adjustments (which consist primarily of accruals, estimates and assumptions that impact the financial statements) considered necessary to present fairly the Company's consolidated financial position as of March 31, 2023 and its consolidated results of operations, comprehensive loss and changes in stockholders' equity for the three months ended March 31, 2023 and 2022 and cash flows for the three months ended March 31, 2023 and 2022. Operating results for the three months ended March 31, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023.

The unaudited condensed consolidated financial statements include the accounts of Compass Therapeutics, Inc. and its subsidiaries, and have been prepared by the Company in conformity with accounting principles generally accepted in the United States of America ("GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The condensed consolidated balance sheet at December 31, 2022 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by GAAP for complete financial statements. Accordingly, these condensed consolidated financial statements should be read in conjunction with the Company's audited financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (the "Annual Report").

Liquidity

Since our inception, we have devoted substantially all of our efforts to organizing and staffing our Company, business planning, raising capital, research and development activities, building our intellectual property portfolio and providing general and administrative support for these operations. We have funded our operations with proceeds from the sale of our equity securities and borrowing from debt arrangements. Through March 31, 2023, we have received $409 million in gross proceeds from the sale of equity securities. As of March 31, 2023, we had cash, cash equivalents and marketable securities of $175 million. Based on our research and development plans, we expect that such cash resources will enable us to fund our operating expenses and capital expenditure requirements into 2026.

COVID-19 Update

We have been monitoring the COVID-19 pandemic and its potential impact on our business. There have been delays in sourcing of selected supplies required for the manufacturing of material to be used in our clinical trials, and these delays have impacted and may impact the timing of our future clinical trials. It is possible that COVID-19 may continue to impact the timeline for our ongoing clinical trials and potential future trials. We are continuing to assess the potential impact of the COVID-19 pandemic on our current and future business and operations, including our expenses and clinical trials, as well as on our industry and the healthcare system.

2. Summary of Significant Accounting Policies

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

3. Fair Value Measurements

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

	Fair Value Measurements as of March 31, 2023 Using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
Assets				
Corporate bonds	$ —	$ 51,959	$ —	$ 51,95
Commercial paper	49,676	—	—	49,67
Certificates of deposit	—	26,807	—	26,80
U.S. government treasuries	11,523	—	—	11,52
Asset-backed securities	—	8,178	—	8,17
Cash equivalents	994	—	—	99
Total assets	$ 62,193	$ 86,944	$ —	$ 149,13

	Fair Value Measurements as of December 31, 2022 Using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
Assets				
Corporate bonds	$ —	$ 87,760	$ —	$ 87,76
Commercial paper	37,682	—	—	37,68
Certificates of deposit	—	19,667	—	19,66
Asset-backed securities	—	6,554	—	6,55
Cash equivalents	9,438	—	—	9,43
Total assets	$ 47,120	$ 113,981	$ —	$ 161,10

4. Marketable Securities

The objectives of the Company's investment policy are to ensure the safety and preservation of invested funds, as well as to maintain liquidity sufficient to meet cash flow requirements. The Company invests its excess cash in securities issued by financial institutions, commercial companies, and government agencies that management believes to be of high credit quality in order to limit the amount of its credit exposure. The Company has not realized any net losses from its investments.

Unrealized gains and losses on investments that are available for sale are recognized in accumulated comprehensive loss, unless an unrealized loss is considered to be other than temporary, in which case the unrealized loss is charged to operations. The Company periodically reviews its investments for other than temporary declines in fair value below cost basis and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The Company believes the individual unrealized losses represent temporary declines primarily resulting from interest rate changes. Realized gains and losses are included in other income (loss) in the consolidated statements of operations and comprehensive loss and are determined using the specific identification method with transactions recorded on a trade date basis. The Company classifies marketable securities that are available for use in current operations as current assets on the consolidated balance sheet.

The following tables summarize marketable securities held (in thousands):

	As of March 31, 2023			
	Amortized Cost	Unrealized gains	Unrealized Losses	Fair Value
Assets				
Corporate bonds	$ 52,078	$ 59	$ (178)	$ 51,95
Commercial paper	49,674	24	(22)	49,67
Certificates of deposit	26,825	6	(24)	26,80
U.S. government treasuries	11,505	24	(6)	11,52
Asset-backed securities	8,207	3	(32)	8,17
Total assets	$ 148,289	$ 116	$ (262)	$ 148,14

	As of December 31, 2022			
	Amortized Cost	Unrealized gains	Unrealized Losses	Fair Value
Assets				
Corporate bonds	$ 87,998	$ 12	$ (250)	$ 87,76
Commercial paper	37,680	33	(31)	37,68
Certificates of deposit	19,689	16	(38)	19,66
Asset-backed securities	6,598	3	(47)	6,55
Total assets	$ 151,965	$ 64	$ (366)	$ 151,66

	As of	
	March 31, 2023	December 31, 2022
Maturing in one year or less	$ 116,781	$ 134,620
Maturing after one year through two years	31,362	17,043
Total	$ 148,143	$ 151,663

5. Property and Equipment

Property and equipment consist of the following (in thousands):

	March 31, 2023	December 31, 2022
Equipment	$ 5,137	$ 5,137
Leasehold improvements	1,612	1,612
Software	364	364
Furniture and fixtures	22	22
Total property and equipment–at cost	7,135	7,135
Less: Accumulated depreciation	(5,762)	(5,568)
Property and equipment, net	$ 1,373	$ 1,567

Depreciation expense for each of three months ended March 31, 2023 and 2022 was $0.2 million.

6. Accrued Expenses

Accrued expenses consist of the following (in thousands):

	March 31, 2023	December 31, 2022
Project expenses	$ 8,280	$ 10,038
Compensation and benefits	526	1,556
Other	137	96
Total accrued expenses	$ 8,943	$ 11,690

Project expenses are primarily from $8.1 million of accrued manufacturing expenses. These expenses are mostly for the manufacture and purchase of drug product for CTX-009 including $6.6 million of minimum contractual obligations.

7. Commitments and Contingencies

Leases

The Company adopted ASU 2016-02, *Leases (Topic 842)* (“ASU 2016-02”), effective January 1, 2021, using the modified retrospective transition method, in which the new standard is applied as of the date of initial adoption. The Company recognized and measured agreements executed prior to the date of initial adoption that were considered leases on January 1, 2021. No cumulative effect adjustment of initially applying the standard to the opening balance of retained earnings was made upon adoption. The Company elected the package of practical expedients permitted under the transition guidance that will retain the lease classification and initial direct costs for any leases that exist prior to adoption of the standard. In addition, the Company elected the accounting policy of not recording short-term leases with a lease term at the commencement date of 12 months or less on the condensed consolidated balance sheet as permitted by the new standard.

The Company has evaluated its leases and determined that it has one lease that is classified as an operating lease. The classification of this lease is consistent with the Company’s determination under the previous accounting standard.

When available, the Company will use the rate implicit in the lease to discount lease payments to present value; however, the Company's current lease does not provide an implicit rate. Therefore, the Company used its incremental borrowing rate to discount the lease payments based on the date of the lease commencement.

The Company has one operating lease for its corporate office and laboratory facility ("Facility") that was signed in December 2020. The Company moved into the Facility in January 2021. The Facility lease has an initial term of four years and five months, beginning on January 1, 2021. The Facility lease contains scheduled rent increases over the lease term. The discount rate used for the Facility lease is 6.25%, and the remaining lease term of the Facility lease is two years and two months as of March 31, 2023. Cash payments related to the Facility were $0.3 million for the periods ending March 31, 2023 and 2022.

The table below presents the undiscounted cash flows for the lease term. The undiscounted cash flows are reconciled to the operating lease liabilities recorded on the condensed consolidated balance sheet (000's):

Remainder of 2023	$ 897
Years ending December 31,	
2024	1,379
2025	543
Total minimum lease payments	2,819
Less: amount of lease payments representing interest	(177)
Present value of future minimum lease payments	2,642
Less: operating lease obligations, current portion	(1,122)
Operating lease obligations, long-term portion	$ 1,520

Milestone payments

As part of the ABL Bio Agreement, the Company is obligated to pay certain development milestone payments. See Note 11 for additional information on the ABL Bio Agreement.

8. Stock-Based Compensation

Stock-based compensation expense for the three months ended March 31, 2023 and 2022 was classified in the condensed consolidated statement of operations as follows:

	Three Months Ended March 31,	
	2023	2022
	(000's)	
Research and development	$ 83	$ 375
General and administrative	1,184	1,199
Total	$ 1,267	$ 1,574

As of March 31, 2023, remaining unrecognized stock-based compensation cost from all plans to be recognized in future periods totaled $18.2 million.

Restricted Stock:

Prior to the adoption of the 2020 Plan, the Company issued restricted stock. A summary of the Company's restricted stock activity during the three months ended March 31, 2023 is as follows:

Weighted Average Fair Value	Shares (000's)	Fair Value Per Share
Unvested, December 31, 2022	193	$ 1.74
Granted	—	$ —
Vested	(61)	$ 1.71
Forfeited or canceled	—	$ —
Unvested, March 31, 2023	132	$ 1.75

As of March 31, 2023, the total unrecognized compensation cost related to stock compensation expense for restricted stock is $0.2 million, expected to be recognized over a weighted average period of 0.6 years.

2020 Plan

In June 2020, the Company's board of directors adopted the 2020 Stock Option and Incentive Plan (the "2020 Plan") and reserved 2.9 million shares of common stock for issuance under this plan. The 2020 Plan includes automatic annual increases. The increase on January 1, 2023 was 5.1 million shares. As of March 31, 2023, 5.5 million shares remain available for grant.

The 2020 Plan authorizes the board of directors or a committee of the board to grant incentive stock options, nonqualified stock options, restricted stock awards and restricted stock units ("RSUs") to eligible officers, employees, consultants and directors of the Company. Options generally vest over a period of four years and have a contractual life of ten years from the date of grant.

Stock Options:

The following table summarizes the stock option activity for the 2020 Plan:

	Number of Unvested Options (000's)	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value ($000's)
Outstanding at December 31, 2022	5,378	$ 3.89	8.24	$ 6,31
Granted	2,238	$ 3.92	9.75	
Exercised	(12)	$ 2.43		
Forfeited/canceled	(227)	$ 4.76		
Outstanding at March 31, 2023	7,377	$ 3.88	8.69	$ 1,95
Vested at March 31, 2023	2,854	$ 4.45	7.87	$ 49

For the three months ended March 31, 2023, the weighted average grant date fair value for options granted was $2.95. The intrinsic value for options vested as of March 31, 2023, was $0.5 million. As of March 31, 2023, the total unrecognized compensation cost related to outstanding options was $11.5 million, to be recognized over a weighted average period of 3.2 years.

For the three months ended March 31, 2022, the weighted average grant date fair value for options granted was $1.77. There was no intrinsic value for options vested as of March 31, 2022.

The weighted average assumptions used in the Black-Scholes pricing model to determine the fair value of stock options granted during the three months ended March 31, 2023 and 2022 were as follows:

	Three Months Ended March 31,	
	2023	2022
Expected term (in years)	6.0	6.0
Risk-free rate	3.80%	1.85%
Expected volatility	89%	94%
Expected dividend yield	—	—

As of January 2023, the Company used the historical price of only its own stock to determine the expected volatility. Prior to this, a group of industry peers including the Company's stock price was used.

RSUs:

The following table summarizes the RSU activity for the 2020 Plan:

	Shares (000's)	Weighted Average Price Per Share	Weighted Average Fair Value ($000's)
Unvested, December 31, 2022	900	$ 3.83	$ 3,447
Granted	900	3.93	3,537
Vested	—	—	—
Forfeited or canceled	—	—	—
Unvested, March 31, 2023	1,800	$ 3.88	$ 6,984

The weighted average price per share is the weighted grant price based on the closing market price of each of the stock grants. The weighted average fair value is the weighted average share price times the number of shares.

As of March 31, 2023, remaining unrecognized compensation cost related to RSUs to be recognized in future periods totaled $6.4 million, which is expected to be recognized over a weighted average period of 3.3 years.

9. Related Parties and Related-Party Transactions

There were no material related party transactions during the quarters ended March 31, 2023 and 2022.

10. Other Income

Other income consisted of interest income on marketable securities. Interest income was $1.9 million and $20 thousand for the three months ended March 31, 2023 and 2022, respectively.

11. License, Research and Collaboration Agreements

Collaboration Agreements

ABL Bio Corporation ("ABL Bio") Agreement

In November 2018, the Company and ABL Bio, a South Korean biotechnology company, entered into an exclusive global (excluding South Korea) license agreement which granted the Company a license to CTX-009 (ABL001), ABL Bio's bispecific antibody targeting DLL4 and VEGF-A. Under the terms of the agreement, the two companies would jointly develop CTX-009, with ABL Bio responsible for development of CTX-009 throughout the end of Phase 1 clinical trials and the Company responsible for the development of CTX-009 from Phase 2 and onward. ABL Bio received a $5 million upfront payment and $6 million development milestone payment. In addition, ABL Bio is eligible to receive up to $96 million of development and regulatory milestone payments, and up to $303 million of commercial milestone payments and tiered single-digit royalties on net sales of CTX-009 in oncology. ABL Bio is also eligible to receive up to $75 million in development and regulatory milestones and up to $110 million in commercial milestone payments and tiered, single-digit royalties on net sales of CTX-009 in ophthalmology.

In May 2021, the Company and ABL Bio terminated license agreements to several preclinical assets. As a result of the return of these assets to ABL Bio and termination of the license agreements, the Company is eligible to receive royalty payments if ABL Bio develops or licenses two bispecific antibodies that were previously licensed to the Company.

Adimab Agreement

The Company entered into a collaboration agreement with Adimab, LLC on October 16, 2014. The agreement includes provisions for payment of royalties at rates ranging in the single digits as a percentage of future net sales within a specified term from the first commercial sale for certain antibodies, including our product candidate, CTX-471. There were no milestone payments made during the first three months of 2023. As of March 31, 2023, future potential milestone payments in connection with this agreement amounted to $2.0 million.

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

The following discussion of the financial condition and results of operations of Compass Therapeutics, Inc. should be read in conjunction with the financial statements and the notes to those statements included in this Quarterly Report on Form 10-Q for the period ended March 31, 2023. Some of the information contained in this discussion and analysis, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risk, uncertainties and assumptions. You should read the "Risk Factors" section of this Quarterly Report on Form 10-Q and the "Risk Factors" section included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Overview

We are a clinical-stage, oncology-focused biopharmaceutical company developing proprietary antibody-based therapeutics to treat multiple human diseases. Our scientific focus is on the relationship between angiogenesis, the immune system, and tumor growth. Our pipeline of novel product candidates is designed to target multiple critical biological pathways required for an effective anti-tumor response. These include modulation of the microvasculature via angiogenesis-targeted agents, induction of a potent immune response via activators on effector cells in the tumor microenvironment, and alleviation of immunosuppressive mechanisms used by tumors to evade immune surveillance. We plan to advance our product candidates through clinical development as both standalone therapies and in combination with proprietary pipeline antibodies based on supportive clinical and nonclinical data.

In January 2023, we redirected our internal research activities from early-stage discovery to translational research and preclinical development support. Our research group is now focused on further and more detailed characterization of our three product candidates, development of additional assays to facilitate regulatory filings, assessment of combinations of our product candidates with other drugs, assessment of additional indications for our product candidates and various pre-clinical studies further expanding our understanding of mechanisms of action, synergistic activities and optimal combinations of the product candidates. We believe that these activities will allow us to focus our resources on our three product candidate programs, unlock the therapeutic potential of these programs and combinations thereof, and subsequently enhance the return on investment for our shareholders.

We currently have two product candidates in the clinical stage of development: CTX-009 and CTX-471. In addition, a third product candidate, CTX-8371, is expected to enter the clinic in the second half of 2023. A summary of these product candidates is presented below. For a more detailed description, see our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

CTX-009(a.k.a. ABL001) - anti-DLL4 x VEGF-A bispecific antibody

CTX-009 is an investigational bispecific antibody that is designed to simultaneously block DLL4 and VEGF-A signaling pathways, which are critical to angiogenesis and tumor vascularization. Preclinical and early clinical data of CTX-009 as a monotherapy and in combination with chemotherapy suggest that blockade of both pathways provides robust anti-tumor activity across several solid tumors, including colorectal, gastric, cholangiocarcinoma, pancreatic and non-small cell lung cancer.

CTX-009 is undergoing clinical development in patients with advanced solid tumors in the United States, South Korea and China. A Phase 1 dose escalation and dose expansion monotherapy trial in patients with solid tumors and a Phase 1b trial of CTX-009 in combination with chemotherapy were completed in South Korea. In addition, a Phase 2 trial of CTX-009 in combination with chemotherapy in patients with advanced biliary tract cancer is ongoing in South Korea. The first part of the Phase 2 trial has recently been completed and data from that study were presented at ASCO GI in January 2023.

We currently have two open clinical trials in the United States: a Phase 2 trial of CTX-009 in patients with advanced colorectal cancer ("CRC") and a Phase 2/3 trial of CTX-009 in combination with paclitaxel in patients with advanced biliary tract cancer ("BTC").

We have licensed exclusive global rights to CTX-009, outside of South Korea, from ABL Bio, Inc. ("ABL Bio"), a South Korea-based clinical-stage company focused on developing antibody therapeutics. South Korean rights are held by Handok Pharmaceuticals, Inc. ("Handok") and China rights were out-licensed from the Company to Elpiscience Biopharmaceuticals Co., Limited ("Elpiscience").

Our strategy is to develop CTX-009 in all of the indications in which patients have a need for effective and novel therapeutic agents and data supports the potential therapeutic benefit of CTX-009. We chose BTC and CRC as our lead indications based on a number of factors, including CTX-009 activity observed in the Phase 1, 1b and 2 clinical trials, lack of effective therapies for these patient populations in the targeted lines of therapy and the potential for a straight-forward regulatory route to approval.

We submitted an Investigational New Drug ("IND") application to the U.S. Food and Drug Administration (the "FDA") in December 2021 for CTX-009 and the FDA cleared our IND application in January 2022. The following trials are being conducted in the United States under this IND.

Following conversations with the FDA, we initiated a randomized Phase 2/3 trial for CTX-009 in combination with paclitaxel in adult patients with unresectable, advanced, metastatic or recurrent biliary tract cancers ("BTC" or "cholangiocarcinoma") who have received one prior systemic chemotherapy regimen. The trial is designed to assess the safety and efficacy of the combination of CTX-009 and paclitaxel versus paclitaxel alone. The trial will enroll 150 patients, who will be randomized in a 2:1 ratio to receive CTX-009 plus paclitaxel (n=100) or paclitaxel alone (n=50). The primary endpoint of the trial is overall response rate and the secondary endpoints include progression free survival, disease control rate, duration of response and overall survival. The trial can be found on www.clinicaltrials.gov (Identifier NCT 05506943).

In addition, we initiated a Phase 2 monotherapy clinical trial to assess the safety and efficacy of CTX-009 in patients with metastatic colorectal cancer who have received two or three prior systemic therapies. The trial utilizes a Simon Two-Stage adaptive design where the criteria to advance to the second stage of the trial is three partial responses observed in 37 patients enrolled in Part A of the trial. Based on the Simon Two-Stage design, when the criteria for the first stage are met, the trial progresses to the second stage, at which time 47 additional patients will be enrolled. The trial can be found on www.clinicaltrials.gov (identifier NCT 05513742).

DEVELOPMENT PLANS FOR CTX-009

We intend to explore the potential of CTX-009 in additional indications, based on data from pre-clinical models, potential biomarkers such as DLL4, and clinical data from CTX-009 trials providing signs of potential activity of CTX-009 in additional indications such as ovarian cancer, gastric cancer, pancreatic cancer, renal cell cancer, liver cancer, neuroendocrine cancer and others.

In addition, we are developing a plan to study the combination of CTX-009 with our novel bispecific checkpoint blocker, CTX-8371, and with other checkpoint blockers, such as pembrolizumab and atezolizumab. Additionally, we are considering the combination of CTX-009 with our novel CD137 agonistic antibody, CTX-471, which is currently in a Phase 1b clinical trial in patients with advanced solid tumors.

CTX-471 - a monoclonal antibody agonist of CD137

CTX-471, our monoclonal antibody product candidate, is a fully human, IgG4 monoclonal antibody that is an agonist of CD137, a key co-stimulatory receptor on immune cells. Binding of CTX-471 to CD137 has been observed to lead to ligand-stimulated activation of T-cells and NK cells. In treated mice, dosing with CTX-471 led to extensive reprogramming of the tumor microenvironment, including increased recruitment of immune cells, reversion of exhausted cytotoxic CD8+ T-cells, reductions in immunosuppressive regulatory T-cells and reductions in immunosuppressive tumor-associated macrophages. Long after the completion of the treatment with CTX-471, a period described as eight half-lives of the antibody, treated mice exhibited immune memory that prevented re-establishment of the same tumor.

The CD137 antigenic site recognized by CTX-471 does not block the binding of CD137 ligand and is differentiated from the site recognized by CD137 antibodies from competitors. We designed the antibody using different backbones and chose to use a human IgG4 backbone for CTX-471 to enable engagement of Fc receptors FcgRI and FcgRIIb to facilitate CD137 cross-linking while avoiding binding to FcgRIIIa and depletion of immune effector cells through ADCC.

Immune cell depletion experiments showed that the activity of CTX-471 required the presence of CD4+ T-cells, CD8+ T-cells, and NK cells, indicating a coordinated involvement of both innate and adaptive immune cells. Encouragingly, treatment of tumors in mice with CTX-471 led to a marked reprogramming of the immune component of the tumor microenvironment. We also observed that tumors treated with CTX-471 had an approximate two-fold reduction in the number of immunosuppressive tumor-associated macrophages.

In addition, we have observed potent activity in other syngeneic tumor models including tumor eradication in the A20 model of lymphoma, the MC38 model of colon carcinoma and in the EMT6 model of breast cancer.

We believe that the ability of CTX-471 to transform the tumor microenvironment through the combined action of immune cell recruitment, alleviation of T-cell exhaustion, suppression of Tregs, and reduction of tumor suppressing macrophages leads to CTX-471's antitumor activity in mouse models.

In October 2022, we announced a clinical collaboration with Merck & Co. ("Merck", known as MSD outside the United States and Canada) to evaluate CTX-471 in combination with KEYTRUDA® (pembrolizumab). Compass is the study sponsor and Merck provides the clinical supply of KEYTRUDA®. Additionally, we formed a joint development committee ("JDC") with Merck to review the results of this clinical trial.

In November 2022, we announced the first patient was dosed in the combination arm of the Phase 1 trial. This combination arm is enrolling patients with metastatic or locally advanced non-small cell lung cancer, melanoma, small cell lung cancer, mesothelioma and head and neck cancer that have progressed after treatment with a PD-1 or PD-L1 checkpoint inhibitor. Patients enrolled in the trial will be treated with CTX-471 in combination with pembrolizumab with the goal of restoring response. We expect the first interim data from the trial in the second half of 2023.

CTX-8371 - a bispecific antibody that simultaneously targets both PD-1 and PD-L1

CTX-8371 is a bispecific antibody that binds to both PD-1 and PD-L1, the targets of well-known and widely used checkpoint inhibitor antibodies. Preclinical studies demonstrate that CTX-8371 has the ability to outperform PD-1, PD-L1, and combinations of the two to activate T-cells in in vitro assays. In mouse xenografts, treatment with CTX-8371 led to significantly greater tumor growth control and longer survival than treatment with a PD-1 inhibitor alone, a PD-L1 inhibitor alone or the combination of PD-1 and PD-L1 inhibitors.

We completed our first GMP manufacturing campaign for CTX-8371 in the second quarter of 2022. IND-enabling studies on CTX-8371, including GLP toxicology studies in non-human primates were completed in the first quarter of 2023. We are currently targeting an IND submission for CTX-8371 to the FDA in the third quarter of 2023 and initiating a clinical trial in the second half of 2023.

OPERATING ACTIVITIES

We have funded our operations primarily with proceeds from the sale of our equity securities. Through March 31, 2023, we have received $409 million in gross proceeds from the sale of equity securities.

We have incurred significant operating losses since inception and have not generated any revenue from the sale of products and we do not expect to generate any revenue from the sale of products in the near future, if at all. Our ability to generate product revenue sufficient to achieve profitability will depend heavily on the successful development and eventual commercialization of our treatments and any future product candidates. Our net losses were $7.8 million and $7.2 million for the three months ended March 31, 2023 and 2022, respectively. We had an accumulated deficit of $281 million at March 31, 2023. We expect to continue to incur significant expenses for at least the next several years as we advance through clinical development, develop additional product candidates and seek regulatory approval of any product candidates that complete clinical development. In addition, if we obtain marketing approval for any product candidates, we expect to incur significant commercialization expenses related to product manufacturing, marketing, sales and distribution. We may also incur expenses in connection with the in-licensing or acquisition of additional product candidates.

Until such time as we can generate significant revenue from product sales, if ever, we expect to finance our operations through equity and debt financings, or other capital sources, which may include collaborations with other companies or other strategic transactions. As of March 31, 2023, we had $175 million in cash, cash equivalents and marketable securities. We expect that such cash resources will enable us to fund our operating expenses and capital expenditure requirements into 2026.

Because of the numerous risks and uncertainties associated with product development, we are unable to predict the timing or amount of increased expenses or when, or if, we will be able to achieve or maintain profitability. Even if we are able to generate product sales, we may not become profitable. If we fail to become profitable or are unable to sustain profitability on a continuing basis, then we may be unable to continue our operations at planned levels and be forced to reduce or terminate our operations. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty.

COVID-19 Update

We have been monitoring the COVID-19 pandemic and its potential impact on our business. There have been delays in sourcing of selected supplies required for the manufacturing of material to be used in our clinical trials, and these delays have impacted and may impact the timing of our future clinical trials. It is possible that COVID-19 may continue to impact the timeline for our ongoing clinical trials and potential future trials. We are continuing to assess the potential impact of the COVID-19 pandemic on our current and future business and operations, including our expenses and clinical trials, as well as on our industry and the healthcare system.

Components of Results of Operations

Research and Development

Research and development expenses consist primarily of costs incurred in connection with the development of our product candidates, CTX-471, CTX-8371 and CTX-009. We expense research and development costs as incurred. These expenses include:

- employee-related expenses including salaries, related benefits and equity-based compensation expense for employees engaged in research and development functions;
- expenses incurred under agreements with organizations that support our platform program development;
- Contract Manufacturing Organizations (“CMO”) that are primarily engaged to provide drug substance and product for our clinical trials, research and development programs, as well as investigative sites and consultants that conduct our clinical trials, nonclinical studies and other scientific development services;
- the cost of acquiring and manufacturing nonclinical and clinical trial materials, including manufacturing registration and validation batches;
- costs related to compliance with quality and regulatory requirements; and
- facilities and equipment expenses.

Advance payments that we make for goods or services to be received in the future for use in research and development activities are recorded as prepaid expenses. Such amounts are recognized as an expense as the goods are delivered or the related services are performed, or until it is no longer expected that the goods will be delivered or the services rendered.

Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials. We expect that our research and development expenses will increase substantially in connection with our planned clinical development activities in the future. At this time, we cannot accurately estimate or know the nature, timing and costs of the efforts that will be necessary to complete the clinical development of any future product candidates.

The successful development and commercialization of product candidates is highly uncertain. This is due to the numerous risks and uncertainties associated with product development and commercialization.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and related costs for personnel in executive, finance, business development and administrative functions. General and administrative expenses also include legal fees relating to patent and corporate matters, professional fees for accounting, auditing, tax, insurance, administrative travel expenses and other operating costs.

We anticipate that our general and administrative expenses will increase in the future as we increase our headcount to support our business operations.

Other Income

Other income consists of interest income on marketable securities.

Results of Operations

Comparison of the Three Months Ended March 31, 2023 and 2022

The following table summarizes our results of operations for the three months ended March 31, 2023 and 2022:

	Three Months Ended March 31,		
	2023	**2022**	**Change**
		(000's)	
Operating expenses:			
Research and development	$ 6,638	$ 4,415	$ 2,223
General and administrative	3,073	2,767	306
Total operating expenses	9,711	7,182	2,529
Loss from operations	(9,711)	(7,182)	(2,529)
Other income	1,874	20	1,854
Loss before income tax expense	(7,837)	(7,162)	(675)
Income tax expense	—	—	—
Net loss	$ (7,837)	$ (7,162)	$ (675)

Research and Development Expenses

Research and development expenses increased by $2.2 million, or 50%, for the three months ended March 31, 2023 compared to the three months ended March 31, 2022. The increase came from a $2.5 million increase in program-related expenses which inherently change over time. We spent $3.3 million more on CTX-009 and $0.8 million less for the other two programs (CTX-471 and CTX-8371) for the three months ended March 31, 2023 as compared to the same period in 2022.

We track outsourced development, outsourced personnel costs and other research and development costs of specific programs. Research and development expenses are summarized by program in the table below:

	Three Months Ended March 31,	
	2023	2022
	(000's)	
CTX-009	$ 3,916	$ 576
CTX-471	868	1,296
CTX-8371	525	922
Unallocated research and development expenses	1,329	1,621
Total research and development expenses	$ 6,638	$ 4,415

General and Administrative Expenses

General and administrative expenses increased by $0.3 million, or 11%, to $3.1 million for the three months ended March 31, 2023 as compared to the same period in 2022.

Other income

For the three months ended March 31, 2023 and 2022, other income consists exclusively of interest income.

Income Tax Expense

During the three months ended March 31, 2023 and 2022, we recognized no income tax expense.

Liquidity and Capital Resources

Since our inception, we have devoted substantially all of our efforts to organizing and staffing our Company, business planning, raising capital, research and development activities, building our intellectual property portfolio and providing general and administrative support for these operations. We have funded our operations primarily with proceeds from the sale of our equity securities. Through March 31, 2023, we have received $409 million in gross proceeds from the sale of equity securities. As of March 31, 2023, we had cash, cash equivalents and marketable securities of $175 million.

Funding Requirements

Our primary use of cash is to fund operating expenses, primarily research and development 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, accrued expenses and prepaid expenses. 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 will depend on many factors, including, but not limited to:

- the scope, timing, progress and results of discovery, preclinical development, laboratory testing and clinical trials for our product candidates;
- the costs of manufacturing our product candidates for clinical trials and in preparation for marketing approval and commercialization;
- the extent to which we enter into collaborations or other arrangements with additional third parties in order to further develop our product candidates;
- the costs of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending intellectual property-related claims;
- the costs and fees associated with the discovery, acquisition or in-license of additional product candidates or technologies;

- our ability to establish additional collaborations on favorable terms, if at all;
- the costs required to scale up our clinical, regulatory and manufacturing capabilities;
- the costs of future commercialization activities, if any, including establishing sales, marketing, manufacturing and distribution capabilities, for any of our product candidates for which we receive marketing approval; and
- revenue, if any, received from commercial sales of our product candidates, should any of our product candidates receive marketing approval.

Until such time, if ever, as we can generate substantial product revenue, we expect to finance our operations through a combination of equity offerings, debt financings, collaborations, strategic alliances and marketing, distribution or licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, current stockholders' interest will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect rights of common stockholders. 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 or marketing, distribution or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates, or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings 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.

Cash Flows

The following table shows a summary of our cash flows for the periods indicated:

	Three Months Ended March 31,	
	2023	**2022**
	(000's)	
Cash used in operating activities	$ (12,229)	$ (7,942)
Cash provided by (used in) investing activities	4,269	(193)
Cash provided by financing activities	41	—
Net change in cash and cash equivalents	$ (7,919)	$ (8,135)

Operating Activities

During the three months ended March 31, 2023, we used $12.2 million of cash in operating activities, resulting from our net loss of $7.8 million plus the change in operating assets and liabilities of $5.6 million, partially offset by non-cash charges of $1.2 million (primarily from share-based compensation expense of $1.3 million).

During the three months ended March 31, 2022, we used $7.9 million of cash in operating activities, resulting from our net loss of $7.2 million plus the change in operating assets and liabilities of $2.8 million, partially offset by non-cash charges of $2.0 million (primarily from share-based compensation expense of $1.6 million).

Investing Activities

During the three months ended March 31, 2023, $4.3 million of cash was provided by investing activities related to marketable securities. During the three months ended March 31, 2022, we used $0.2 million of cash in investing activities which primarily related to leasehold improvements.

Financing Activities

During the three months ended March 31, 2023, we had $41 thousand in proceeds from the exercise of stock options. We had no financing activities during the three months ended March 31, 2022.

Future Funding Requirements

We expect our expenses to increase substantially in connection with our ongoing activities. The timing and amount of our operating expenditures will depend largely on:

- the initiation, progress, timing, costs and results of clinical trials for our product candidates or any future product candidates we may develop;
- the initiation, progress, timing, costs and results of nonclinical studies for our product candidates or any future product candidates we may develop;
- our ability to maintain our relationships with key collaborators;
- the outcome, timing and cost of seeking and obtaining regulatory approvals from the FDA and comparable foreign regulatory authorities, including the potential for such authorities to require that we perform more nonclinical studies or clinical trials than those that we currently expect or change their requirements on studies that had previously been agreed to;
- the cost to establish, maintain, expand, enforce and defend the scope of our intellectual property portfolio, including the amount and timing of any payments we may be required to make, or that we may receive, in connection with licensing, preparing, filing, prosecuting, defending and enforcing any patents or other intellectual property rights;
- the effect of competing technological and market developments;
- the costs of continuing to grow our business, including hiring key personnel and maintain or acquiring operating space;
- market acceptance of any approved product candidates, including product pricing, as well as product coverage and the adequacy of reimbursement by third-party payors;
- the cost of acquiring, licensing or investing in additional businesses, products, product candidates and technologies;
- the cost and timing of selecting and validating a manufacturing site for commercial-scale manufacturing; and
- the cost of establishing sales, marketing and distribution capabilities for any product candidates for which we may receive regulatory approval and that we determine to commercialize.

We believe that our existing cash, cash equivalents and marketable securities as of filing of the form 10-Q will enable us to fund our operating expenses and capital expenditure requirements into 2026 based on our current plans, which may change based on clinical or pre-clinical results. These plans include: three Phase 2 clinical trials of CTX-009, a Phase 1b combination trial for CTX-471 and a Phase 1 trial of CTX-8371. We expect that we will require additional funding to complete the clinical development of the three programs, commercialize our product candidates, if we receive regulatory approval, and pursue in-licenses or acquisitions of other product candidates. If we receive regulatory approval for CTX-009, CTX-471 or CTX-8371 or other product candidates, we expect to incur significant commercialization expenses related to product manufacturing, sales, marketing and distribution, depending on where we choose to commercialize these product candidates ourselves.

Until such time, if ever, as we can generate substantial product revenue, we expect to finance our cash needs through a combination of equity and debt financings, collaborations, strategic alliances, and marketing, distribution or licensing arrangements with third parties. To the extent that we raise additional capital through the sale of equity or convertible debt securities, ownership interest may be materially diluted, and the terms of such securities could include liquidation or other preferences that adversely affect your rights as a common stockholder. Debt financing and preferred equity financing, if available, may involve agreements that include restrictive covenants that limit our ability to take specified actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise funds through collaborations, strategic alliances or marketing, distribution or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings or other arrangements when needed, we may be required to delay, reduce or eliminate our 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable since we are a smaller reporting company.

Item 4. Controls and Procedures.

Management's Evaluation of Our Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Operating Officer (Principal Financial Officer), evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, as of March 31, 2023. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of March 31, 2023, our Chief Executive Officer and Chief Operating Officer (Principal Financial Officer) concluded that, as of such date, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, that occurred during the quarter ended March 31, 2023 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.

As of the date of this Quarterly Report on Form 10-Q, we are not involved in any material legal proceedings. However, from time to time, we could be subject to various legal proceedings and claims that arise in the ordinary course of our business activities. Regardless of the outcome, legal proceedings can 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.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Description
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document – the instance document does not appear in 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.

** These exhibits are being furnished and shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall such exhibits be deemed to be incorporated by reference in any registration statement or other document filed under the Securities Act or the Exchange Act, except as otherwise stated in such filing.

SIGNATURES

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

Company Name

Date: May 4, 2023 By: /s/ Thomas Schuetz

Thomas Schuetz, MD
Chief Executive Officer
(Principal Executive Officer)

Date: May 4, 2023 By: /s/ Vered Bisker-Leib

Vered Bisker-Leib, PhD
President and Chief Operating Officer
(Principal Financial Officer)

Date: May 4, 2023 By: /s/ Neil Lerner

Neil Lerner, CPA
Vice President - Finance

Exhibit 31.1

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

I, Thomas Schuetz, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Compass Therapeutics, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: May 4, 2023

By: /s/ Thomas Schuetz
Thomas Schuetz
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

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

I, Vered Bisker-Leib, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Compass Therapeutics, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: May 4, 2023

By: /s/ Vered Bisker-Leib
Vered Bisker-Leib
President and Chief Operating Officer
(Principal Financial Officer)

Exhibit 32.1

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

In connection with the Quarterly Report of Compass Therapeutics, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

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

Date: May 4, 2023

By: /s/ Thomas Schuetz

Thomas Schuetz
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

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

In connection with the Quarterly Report of Compass Therapeutics, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

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

Date: May 4, 2023

By: /s/ Vered Bisker-Leib

Vered Bisker-Leib
President and Chief Operating Officer
(Principal Financial Officer)