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, 2020

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: 001-39370

Nkarta, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**47-4515206**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
6000 Shoreline Court, Suite 102 South San Francisco, CA	**94080**
(Address of principal executive offices)	**(Zip Code)**

(415) 582-4923
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

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	NKTX	The Nasdaq Stock Market LLC (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 9, 2020, the registrant had 32,595,397 shares of common stock, par value $0.0001 per share, outstanding.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q are forward-looking statements, including statements about:

- the success, cost, timing and potential indications of our product candidate development activities and clinical trials, including our currently planned and potential future clinical trials of NKX101 and NKX019;
- our ability to achieve our milestones for development of our product candidates;
- our ability to obtain and maintain regulatory approval of our product candidates, including NKX101 and NKX019, in any of the indications for which we plan to develop them, and any related restrictions, limitations and/or warnings in the label of an approved product;
- the future results of ongoing or later clinical trials, including of NKX101 and NKX019;
- our ability to obtain funding for our operations, including funding necessary to complete the clinical trials of any of our product candidates;
- risks associated with the COVID-19 pandemic, which may adversely impact our business, preclinical studies and clinical trials;
- our plans to research, develop and commercialize our product candidates;
- our ability to complete construction and qualification of manufacturing facilities to produce clinical and commercial products;
- our ability to develop, characterize, and control manufacturing processes for our product candidates;
- the size and growth potential of the markets for our products, and our ability to identify target patient populations and serve those markets, especially for diseases with small patient populations;
- our ability to successfully commercialize our products, including obtaining reimbursement on favorable terms;
- our ability to develop and maintain sales and marketing capabilities;
- the rate and degree of market acceptance of our products;
- our ability to obtain and maintain insurance coverage and reimbursement for our product candidates;
- our ability to grow our organization and increase the size of our facilities to meet our anticipated growth;
- our ability to contract with third-party suppliers and manufacturers and their ability to perform adequately;
- our ability to attract and retain strategic partners with development, regulatory and commercialization expertise;
- the success of competing therapies that are or become available;
- our ability to attract and retain key scientific, commercial or management personnel;
- our expectations regarding the period during which we qualify under the JOBS Act as an emerging growth company or a smaller reporting company;
- the accuracy of our estimates regarding expenses, future revenue, capital requirements and needs for additional financing;
- our expectations regarding our ability to obtain and maintain intellectual property protection for our products and our ability to operate our business without infringing on the intellectual property rights of others;
- regulatory developments in the United States and foreign countries; and
- our ability to maintain our license agreement with National University of Singapore and St. Jude Children’s Research Hospital with respect to certain rights to NKX101 and NKX019;
- other risks and factors described in this Quarterly Report on Form 10-Q and those listed under “Risk Factors” in our Form S-1 filed with the SEC, which became effective on July 9, 2020, as updated by our Quarterly Report on Form 10-Q for the quarter ended June 30, 2020.

In some cases, you can identify forward-looking statements by the words “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “might,” “objective,” “ongoing,” “plan,” “predict,” “project,” “potential,” “should,” “will,” or “would,” or the negative of these terms, or other comparable terminology intended to identify statements about the future. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from the information expressed or implied by these forward-looking statements.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this report, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

You should read the section titled “Risk Factors” set forth in Part II, Item 1A of this Quarterly Report on Form 10-Q for a discussion of important factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements. Moreover, we operate in an evolving environment. New risk factors and uncertainties may emerge from time to time, and it is not possible for management to predict all risk factors and uncertainties. As a result of these factors, we cannot assure you that the forward-looking statements in this Quarterly Report on Form 10-Q will prove to be accurate. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise.

You should read this Quarterly Report on Form 10-Q, completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

Item 1. Financial Statements.

NKARTA, INC.
CONDENSED BALANCE SHEETS
(Unaudited, in thousands)

	September 30, 2020	December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	$ 188,568	$ 20,607
Short-term investments, available-for-sale	141,191	16,384
Prepaid expenses and other current assets	3,635	474
Total current assets	333,394	37,465
Restricted cash	413	268
Property and equipment, net	9,180	3,080
Operating lease right-of-use assets	8,763	7,144
Other long-term assets	545	455
Total assets	$ 352,295	$ 48,412
Liabilities and stockholders' deficit		
Current liabilities		
Accounts payable	$ 2,262	$ 1,882
Operating lease liabilities, current portion	1,476	1,516
Preferred stock purchase right liability	—	1,478
Accrued and other current liabilities	5,821	3,289
Total current liabilities	9,559	8,165
Operating lease liabilities, net of current portion	7,659	5,780
Other long-term liabilities	96	134
Total liabilities	17,314	14,079
Commitments		
Convertible preferred stock	—	59,815
Stockholders' equity (deficit)		
Common stock	3	1
Additional paid-in capital	435,098	1,179
Accumulated other comprehensive loss	4	(2)
Accumulated deficit	(100,124)	(26,660)
Total stockholders' equity (deficit)	334,981	(25,482)
Total liabilities and stockholders' equity (deficit)	$ 352,295	$ 48,412

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

NKARTA, INC.
CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited, in thousands except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Collaboration revenue	$ —	$ —	$ —	$ 115
Operating expenses				
Research and development	9,828	4,620	24,950	10,535
General and administrative	3,918	1,289	8,560	3,281
Total operating expenses	13,746	5,909	33,510	13,816
Loss from operations	(13,746)	(5,909)	(33,510)	(13,701)
Other income (expense), net:				
Change in fair value of preferred stock purchase right liability	—	3,383	(40,163)	3,383
Change in fair value of derivative liability	—	858	—	858
Loss from extinguishment of debt	—	(752)	—	(752)
Interest income	206	—	358	60
Interest expense	—	(283)	—	(472)
Other income (expense), net	(153)	35	(149)	35
Total other income (expense), net	53	3,241	(39,954)	3,112
Net loss	$ (13,693)	$ (2,668)	$ (73,464)	$ (10,589)
Comprehensive loss:				
Net loss	$ (13,693)	$ (2,668)	$ (73,464)	$ (10,589)
Other comprehensive loss	3	—	6	—
Comprehensive loss	$ (13,690)	$ (2,668)	$ (73,458)	$ (10,589)
Net loss per share, basic and diluted	$ (0.44)	$ (1.75)	$ (6.39)	$ (7.45)
Weighted average shares used to compute net loss per share, basic and diluted	30,981,441	1,528,510	11,499,327	1,421,882

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

NKARTA, INC.
CONDENSED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)
(Unaudited, in thousands except share data)

	Convertible Preferred Stock		Common Stock		Additional paid-in capital	Accumulated deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount				
Balance, December 31, 2019	27,283,973	$ 59,815	1,600,601	$ 1	$ 1,179	$ (26,660)	$ (2)	$ (25,482)
Vesting of shares of common stock subject to repurchase	—	—	17,494	—	14	—	—	14
Issuance of common stock upon exercise of stock option, net of repurchase	—	—	2,871	—	1	—	—	1
Share-based compensation expense	—	—	—	—	482	—	—	482
Unrealized loss on short-term investments	—	—	—	—	—	—	(1)	(1)
Net loss	—	—	—	—	—	(8,706)	—	(8,706)
Balance, March 31, 2020	27,283,973	$ 59,815	1,620,966	$ 1	$ 1,676	$ (35,366)	$ (3)	$ (33,692)
Vesting of shares of common stock subject to repurchase	—	—	19,110	—	12	—	—	12
Issuance of common stock upon exercise of stock option, net of repurchase	—	—	110,425	—	285	—	—	285
Share-based compensation expense	—	—	—	—	566	—	—	566
Unrealized gain on short-term investments	—	—	—	—	—	—	4	4
Net loss	—	—	—	—	—	(51,065)	—	(51,065)
Balance, June 30, 2020	27,283,973	$ 59,815	1,750,501	$ 1	$ 2,539	$ (86,431)	$ 1	$ (83,890)
Issuance of Series B second tranche convertible preferred stock, net of issuance cost	27,066,206	64,321	—	—	—	—	—	—
Reclassification of preferred stock purchase right liability to equity upon issuance of convertible preferred stock	—	41,641	—	—	—	—	—	—
Conversion of convertible preferred stock to common stock	(54,350,179)	(165,777)	14,689,215	1	165,776	—	—	165,777
Issuance of common stock upon initial public offering, net of issuance cost	—	—	16,100,000	1	265,129	—	—	265,130
Vesting of shares of common stock subject to repurchase	—	—	18,246	—	9	—	—	9
Issuance of common stock upon exercise of stock option, net of repurchase	—	—	10,370	—	36	—	—	36
Share-based compensation expense	—	—	—	—	1,609	—	—	1,609
Unrealized gain on short-term investments	—	—	—	—	—	—	3	3
Net loss	—	—	—	—	—	(13,693)	—	(13,693)
Balance, September 30, 2020	—	$ —	32,568,332	$ 3	$ 435,098	$ (100,124)	$ 4	$ 334,981

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

NKARTA, INC.
CONDENSED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT
(Unaudited, in thousands except share data)

	Convertible Preferred Stock		Common Stock		Additional paid-in capital	Accumulated deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount				
Balance, December 31, 2018	6,170,349	$ 12,709	1,231,840	$ 1	$ 187	$ (5,584)	$ —	$ (5,396)
Vesting of shares of common stock subject to repurchase	—	—	134,601	—	20	—	—	20
Share-based compensation expense	—	—	—	—	67	—	—	67
Net loss	—	—	—	—	—	(3,083)	—	(3,083)
Balance, March 31, 2019	6,170,349	$ 12,709	1,366,441	$ 1	$ 274	$ (8,667)	$ —	$ (8,392)
Beneficial conversion feature upon issuance of convertible promissory notes	—	261	—	—	—	—	—	—
Vesting of shares of common stock subject to repurchase	—	—	96,030	—	5	—	—	5
Share-based compensation expense	—	—	—	—	88	—	—	88
Net loss	—	—	—	—	—	(4,838)	—	(4,838)
Balance, June 30, 2019	6,170,349	$ 12,970	1,462,471	$ 1	$ 367	$ (13,505)	$ —	$ (13,137)
Reacquisition of beneficial conversion feature upon settlement of promissory notes	—	(145)	—	—	—	—	—	—
Issuance of Series B convertible preferred stock, net of issuance costs	18,817,499	44,326	—	—	—	—	—	—
Series B preferred stock purchase right liability upon issuance of Series B convertible preferred stock	—	(2,795)	—	—	—	—	—	—
Vesting of shares of common stock subject to repurchase	—	—	97,054	—	5	—	—	5
Issuance of common stock upon exercise of stock option, net of repurchase	—	—	6,334	—	—	—	—	—
Share-based compensation expense	—	—	—	—	227	—	—	227
Net loss	—	—	—	—	—	(2,668)	—	(2,668)
Balance, September 30, 2019	24,987,848	$ 54,356	1,565,859	$ 1	$ 599	$ (16,173)	$ —	$ (15,573)

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

NKARTA, INC.
CONDENSED STATEMENT OF CASH FLOWS
(Unaudited, in thousands)

	Nine Months Ended September 30,	
	2020	**2019**
Cash flows from operating activities		
Net loss	$ (73,464)	$ (10,589)
Adjustments to reconcile net loss to net cash used in operating activities:		
Share-based compensation expense	2,657	382
Depreciation and amortization	503	272
Accretion and amortization of investments, net	116	—
Non-cash lease expense	220	124
Change in fair value of preferred stock purchase right liability	40,163	(3,383)
Change in fair value of derivative liability	—	(858)
Non-cash loss from extinguishment of debt	—	752
Non-cash interest expense on convertible notes	—	472
Others	(15)	—
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(3,355)	28
Accounts payable and accrued and other liabilities	2,523	1,069
Net cash used in operating activities	(30,652)	(11,731)
Cash flows from investing activities		
Purchases of property and equipment	(6,442)	(1,306)
Purchases of short-term investments	(144,916)	—
Maturities of short-term investments	20,000	—
Net cash used in investing activities	(131,358)	(1,306)
Cash flows from financing activities		
Proceeds from issuance of convertible preferred stock, net of issuance costs	64,321	38,417
Proceeds from initial public offering, net of issuance costs	265,461	—
Proceeds from stock option exercises	322	—
Proceeds from early exercise of stock options	12	42
Proceeds from issuance of convertible notes, net of issuance costs	—	5,986
Net cash provided by financing activities	330,116	44,445
Net increase in cash and cash equivalents	168,106	31,408
Cash, cash equivalents, and restricted cash beginning of period	20,875	7,956
Cash, cash equivalents, and restricted cash end of period	$ 188,981	$ 39,364
Reconciliation of cash, cash equivalents and restricted cash to the balance sheet:		
Cash and cash equivalents	188,568	$ 39,095
Restricted cash	413	269
Total cash, cash equivalents and restricted cash	$ 188,981	$ 39,364
Supplemental disclosure of cash flow information:		
Non-cash investing activities:		
Property and equipment included in accounts payable and accrued liabilities	$ 825	$ 329
Non-cash financing activities:		
Deferred offering costs included in accounts payable and accrued liabilities	$ 331	$ —

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

1. Organization and Description of Business

Description of the Business

Nkarta, Inc. ("Nkarta" or the "Company") was incorporated in the State of Delaware in July 2015. The Company is a biopharmaceutical company developing engineered natural killer ("NK") cells to fight cancer. The Company is focused on leveraging the natural potent power of NK cells to identify and kill abnormal cells and recruit adaptive immune effectors to generate responses that are specific and durable. Nkarta is combining its NK expansion platform technology with proprietary cell engineering technologies to generate an abundant supply of NK cells, engineer enhanced NK cell recognition of tumor targets, and improve persistence for sustained activity in the body for the treatment of cancer. Nkarta's goal is to develop off-the-shelf NK cell therapy product candidates to improve outcomes for patients. The Company's operations are based in South San Francisco, California and it operates in one segment.

Initial Public Offering

On July 14, 2020, the Company completed its initial public offering ("IPO"). The Company's Registration Statement on Form S-1 (File No. 333-239301) relating to the IPO was declared effective by the Securities and Exchange Commission ("SEC") on July 9, 2020. The shares began trading on the Nasdaq Global Select Market on July 10, 2020. The Company issued 16,100,000 shares of its common stock, including 2,100,000 shares associated with the full exercise of the underwriters' option to purchase additional shares, at an offering price of $18.00 per share. Immediately prior to the closing of the Company's IPO on July 14, 2020, all outstanding shares of the Company's convertible preferred stock were converted into 14,689,215 shares of the Company's common stock. In aggregate, the shares issued in the IPO generated approximately $265.1 million in net proceeds after deducting underwriting discounts and commissions and other offering costs.

Liquidity and Management Plans

The accompanying unaudited condensed financial statements have been prepared assuming that the Company will continue as a going concern. However, since inception, the Company has devoted substantially all of its efforts to organizing and staffing, business planning, raising capital, conducting preclinical studies and initiating clinical studies, and has not realized substantial revenues from its planned principal operations. In addition, the Company has a limited operating history, has incurred operating losses since inception and expects that it will continue to incur net losses into the foreseeable future as it continues its research and development activities. As of September 30, 2020, the Company had an accumulated deficit of $100.1 million and cash, cash equivalents, restricted cash and short-term investments of $330.2 million.

Management plans to continue to incur substantial costs in order to conduct research and development activities and additional capital will be needed to undertake these activities. The Company intends to raise such capital through debt or equity financings or other arrangements to fund operations. Management believes that the Company's current cash, cash equivalents, restricted cash and short-term investments, including the net proceeds of approximately $265.1 million from the closing of its IPO in July 2020 as described above, together with the aggregate gross proceeds of $64.4 million from the issuance of 27,066,206 shares of the Series B preferred stock upon the closing of the Series B Milestone Closing (defined below) on July 1, 2020, will provide sufficient funds to enable the Company to meet its obligations for at least twelve months from the filing date of this report.

2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed financial statements as of September 30, 2020 and for the three and nine months ended September 30, 2020 and 2019 have been prepared in accordance with U.S. generally accepted accounting principle ("U.S. GAAP") for interim financial information and pursuant to Article 10 of Regulation S-X of the Securities Act of 1933, as amended (the "Securities Act"). Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. These unaudited condensed financial statements include only normal and recurring adjustments that the Company believes are necessary to fairly state the Company's financial position and the results of its operations and cash flows.

The results for the three and nine months ended September 30, 2020 are not necessarily indicative of the results expected for the full year or any subsequent interim period. The condensed balance sheet at December 31, 2019 has been derived from the audited financial statements at that date but does not include all disclosures required by U.S. GAAP for complete financial statements. Because all of the disclosures required by U.S. GAAP for complete financial statements are not included herein, these unaudited condensed financial statements and the notes accompanying them should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2019 included in the Registration Statement on Form S-1 and related Prospectus dated July 9, 2020 filed with the SEC pursuant to Rule 424(b)(4) of the Securities Act of 1933, as amended ("Prospectus").

Certain prior period amounts reported in the Company's financial statements and notes thereto have been reclassified to conform to the current period presentation, with no impact on previously reported operating results or financial position.

Reverse Stock Split

On July 1, 2020, the Company effected a 1-for-3.7 reverse stock split (the "Reverse Stock Split") of its issued and outstanding common stock. Accordingly, the conversion ratio for the Company's outstanding convertible preferred stock was proportionately adjusted such that the common stock issuable upon conversion of such preferred stock was decreased in proportion to the Reverse Stock Split. The par value of the common stock was not adjusted as a result of the Reverse Stock Split. All references to common stock, options to purchase common stock, early exercised options, share data, per share data, convertible preferred stock (to the extent presented on an as-converted to common stock basis) and related information contained in these financial statements have been retrospectively adjusted to reflect the effect of the Reverse Stock Split for all periods presented.

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a novel strain of coronavirus, COVID-19, as a global pandemic, which continued to spread throughout the United States and around the world in the third quarter of 2020. The COVID-19 pandemic is contributing to a general slowdown in the global economy and may affect the Company's business, results of operations, financial condition, and future strategic plans. The extent of the impact of the COVID-19 pandemic on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and its impact on the Company's planned preclinical studies and clinical trials, employees and vendors, all of which are uncertain and cannot be predicted. The Company has taken certain precautionary measures to minimize exposure of our employees to the virus and to comply with directives from public health officials. This includes work from home policies for our employees as well as enhanced safety measures for scientists who are in our labs and manufacturing facility. Some of the third-party vendors that the Company uses have experienced disruptions during this pandemic. At this time, the extent to which the COVID-19 pandemic may impact the Company's financial condition or results of operations is uncertain and these precautionary measures may negatively impact our productivity, and cause disruptions or delays to our activities and timelines. In response to the pandemic, the Coronavirus Aid, Relief and Economic Security Act (the CARES Act) was signed into law on March 27, 2020. The CARES Act, among other things, includes tax provisions relating to refundable payroll tax credits, deferment of employer's social security payments, net operating loss utilization and carryback periods, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. The CARES Act had no impact on the Company's income tax provision for the three and nine months ended September 30, 2020. The Company continues to evaluate the impact of the CARES Act on its financial position, results of operations and cash flows. The Company currently does not expect to apply for loans or grants under the CARES Act.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the Company's financial statements and accompanying notes. On an ongoing basis, management evaluates its estimates, including those related to revenue recognition, preclinical studies, fair value of assets and liabilities, convertible preferred stock, share-based compensation and income taxes. Management bases its estimates on historical experience, knowledge of current events and actions it may undertake in the future that management believes to be reasonable under the circumstances. Actual results may differ from these estimates and assumptions.

Deferred Offering Costs

Deferred offering costs consisting of legal, accounting, printing and other fees and costs directly attributable to the IPO are capitalized. Upon the completion of the IPO in July 2020, the total deferred offering costs of $4.4 million were offset against the proceeds from the IPO and reclassified to additional paid in capital on the balance sheets.

Net Loss Per Share

Basic net loss per share is calculated by dividing the net loss attributable to common stockholders by the weighted-average number of common shares outstanding for the period, without consideration of potential dilutive securities. Diluted net loss per share is computed by dividing the net loss attributable to common stockholders by the sum of the weighted average number of common shares plus the potential dilutive effects of potential dilutive securities outstanding during the period. Potential dilutive securities are excluded from diluted earnings or loss per share if the effect of such inclusion is antidilutive. The Company's potentially dilutive securities, which include convertible preferred stock prior to the conversion of such shares to common stock, unvested common stock, and outstanding stock options under the Company's equity incentive plan, have been excluded from the computation of diluted net loss per share as they would be anti-dilutive to the net loss per share. For all periods presented, there is no difference in the number of shares used to calculate basic and diluted shares outstanding due to the Company's net loss position.

Recent Accounting Pronouncements

Financial Instruments. In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments*, which amends the impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including available-for-sale debt securities. The Company adopted this standard in the first quarter of 2020. The adoption of this standard did not have a material impact on the Company's financial statements.

Fair Value Measurements. In August 2018, the FASB issued ASU 2018-13—Fair Value Measurement (Topic 820): *Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, which eliminates, adds and modifies certain disclosure requirements for fair value measurement. The amendments in ASU 2018-13 that relate to changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments in ASU 2018-13 should be applied retrospectively to all periods presented upon their effective date. The Company adopted this standard in the first quarter of 2020. The adoption of this standard did not have a material impact on the Company's disclosures.

Income Taxes. In December 2019, the FASB issued ASU 2019-12—Income Taxes (Topic 740): *Simplifying the Accounting for Income Taxes*, which simplifies the accounting for income taxes by eliminating certain exceptions to the guidance in Topic 740 related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates. This standard is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. The Company will adopt this standard in the first quarter of 2021 and the adoption is not expected to have a material impact on the Company's financial statements.

There were no other significant updates to the recently issued accounting standards other than as disclosed herewith for the nine months ended September 30, 2020. Although there are several other new accounting pronouncements issued or proposed by the FASB, the Company does not believe any of those accounting pronouncements have had or will have a material impact on its financial position or operating results.

3. Net Loss Per Share

The following tables summarize the computation of the basic and diluted net loss per share (in thousands except share and per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Numerator:				
Net loss	$ (13,693)	$ (2,668)	$ (73,464)	$ (10,589)
Denominator:				
Weighted average common shares outstanding	31,095,610	1,718,510	11,620,515	1,706,784
Less: weighted average unvested common stock issued upon early exercise of common stock options	(114,169)	(160,618)	(121,188)	(171,873)
Less: weighted average unvested founder shares of common stock	—	(29,382)	—	(113,029)
Weighted average shares used to compute net loss per share, basic and diluted	30,981,441	1,528,510	11,499,327	1,421,882
Net loss per share, basic and diluted	$ (0.44)	$ (1.75)	$ (6.39)	$ (7.45)

The following table summarizes the outstanding potentially dilutive securities that have been excluded in the calculation of diluted net loss per share because their inclusion would be anti-dilutive:

	As of September 30,	
	2020	2019
Common stock options	3,564,980	2,153,688
Unvested common stock upon early exercise of common stock options	107,847	153,528
Convertible preferred stock	—	7,374,034
	3,672,827	9,681,250

Immediately prior to the closing of the Company's IPO on July 14, 2020, all outstanding shares of the Company's convertible preferred stock converted into 14,689,215 shares of the Company's common stock.

4. Fair Value of Financial Instruments

The following tables summarize the fair value of the Company's financial instruments (in thousands):

		Fair Value Measurements Using		
	September 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents:				
Money market funds	$ 186,308	$ 186,308	$ —	$ —
Short-term investments:				
Corporate debt securities	$ 41,957	—	$ 41,957	—
Commercial paper	53,922	—	53,922	—
U.S. treasury bills	45,312	—	45,312	—
Total short-term investments	141,191	—	141,191	—
Total	$ 327,499	$ 186,308	$ 141,191	$ —

	December 31, 2019	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents:				
Commercial paper	$ 2,395	$ —	$ 2,395	$ —
Short-term investments:				
Corporate debt securities	$ 6,027	—	$ 6,027	—
Commercial paper	10,357	—	10,357	—
Total short-term investments	16,384	—	16,384	—
Total	$ 18,779	$ —	$ 18,779	$ —
Liabilities:				
Preferred stock purchase right liability	$ 1,478	$ —	$ —	$ 1,478

There were no transfers in or out of Level 1 or Level 2 during the three and nine months ended September 30, 2020.

Cash Equivalents and Short-Term Investments

Financial assets measured at fair value on a recurring basis consist of the Company's cash equivalents and short-term investments. Cash equivalents consisted of money market funds and short-term investments consisted of commercial paper and corporate bonds. The Company obtains pricing information from its investment manager and generally determines the fair value of investment securities using standard observable inputs, including reported trades, broker/dealer quotes, and bids and/or offers.

Investments are classified as Level 1 within the fair value hierarchy if their quoted prices are available in active markets for identical securities. Investments in money market funds of $186.3 million as of September 30, 2020 were classified as Level 1 instruments and were included in cash and cash equivalents.

Investments in marketable securities are valued using Level 2 inputs. Level 2 securities are initially valued at the transaction price and subsequently valued and reported upon utilizing inputs other than quoted prices that are observable either directly or indirectly, such as quotes from third-party pricing vendors. Fair values determined by Level 2 inputs, which utilize data points that are observable such as quoted prices, interest rates and yield curves, require the exercise of judgment and use of estimates, that if changed, could significantly affect the Company's financial position and results of operations. The marketable securities of $141.2 million as of September 30, 2020 were classified as Level 2 instruments and were included in short-term investments. Accrued interest receivable related to short-term investments were $0.3 million and nil as of September 30, 2020 and 2019, respectively, and included as part of prepaid expenses and other current assets in the balance sheets.

The following tables summarize the Company's short-term investments accounted for as available-for-sale securities as of September 30, 2020 and December 31, 2019 (in thousands):

		September 30, 2020			
	Maturity (in years)	Amortized Cost	Unrealized Losses	Unrealized Gains	Estimated Fair Value
Corporate debt securities	1 year or less	$ 41,959	$ (6)	$ 4	$ 41,957
Commercial paper	1 year or less	53,922	—	—	53,922
U.S. treasury bills	1 year or less	45,307	(1)	6	45,312
Total		$ 141,188	$ (7)	$ 10	$ 141,191

		December 31, 2019			
	Maturity (in years)	Amortized Cost	Unrealized Losses	Unrealized Gains	Estimated Fair Value
Corporate debt securities	1 year or less	$ 6,029	$ (2)	$ —	$ 6,027
Commercial paper	1 year or less	10,357	—	—	10,357
Total		$ 16,386	$ (2)	$ —	$ 16,384

The Company has classified all of its available-for-sale investment securities as current assets on the balance sheet based on the highly liquid nature of these investment securities and because these investment securities are considered available for use in current operations.

Prior to 2020, the Company followed the guidance in ASC 320 Investments—Debt and Equity Securities in determining whether unrealized losses were other than temporary. The Company adopted Topic 326 on January 1, 2020, and now considers whether unrealized losses have resulted from a credit loss or other factors. The unrealized losses on our available-for-sale securities as of September 30, 2020 and December 31, 2019 were caused by fluctuations in market value and interest rates as a result of the economic environment. The Company concluded that an allowance for credit losses was unnecessary as of September 30, 2020 and that there were no impairments as of December 31, 2019 considered other-than-temporary because the decline in the market value was attributable to changes in market conditions and not credit quality, and that it is neither management's intention to sell nor is it more likely than not that the Company will be required to sell these investments prior to recovery of their cost basis or recovery of fair value. Unrealized gains and losses are included in accumulated other comprehensive loss.

There was no realized gain or loss on available-for-sale securities in the periods presented. The Company uses the specific identification method to determine the cost basis of investments sold.

Preferred Stock Purchase Right Liability

On July 1, 2020, the Company completed the Series B Milestone Closing and issued 27,066,206 shares of its Series B convertible preferred stock for aggregate gross proceeds of $64.4 million. Accordingly, the preferred stock purchase right liability was revalued at an estimated fair value of $41.6 million and was reclassified to additional paid-in capital on July 1, 2020. See Note 9 for further details on preferred stock purchase right liability.

The estimated fair value of the preferred stock purchase right liability at July 1, 2020 and December 31, 2019 was determined using a valuation model that incorporated the probability of the occurrence of the Series B Milestone Closing in addition to the factors considered at issuance. To determine the fair value of preferred stock purchase right as of July 1, 2020, an intrinsic value model was used. The assumptions used to determine the fair value of the preferred stock purchase right liability as of December 31, 2019 and upon its issuance in August 2019 included an estimated probability of occurrence of the Series B Milestone Closing of 90%, an assumed discount rates of 1.6% and 1.8%, respectively, and an estimated time period the preferred stock purchase right liability would be outstanding of 0.8 years and 1.1 years, respectively. As certain of these inputs are not observable in the market, the preferred stock purchase right liability is classified as a Level 3 instrument.

The following table provides the change in preferred stock purchase right liability for the nine months ended September 30, 2020 (in thousands):

	Preferred Stock Purchase Right Liability
Balance, December 31, 2019	$ 1,478
Change in fair value of preferred stock purchase right	40,163
Reclassification of preferred stock purchase right liability to equity upon issuance of convertible preferred stock	(41,641)
Balance, September 30, 2020	$ —

5. Balance Sheet Components

Prepaid Expenses and Other Current Assets

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

	September 30, 2020	December 31, 2019
Prepaid expenses	$ 389	$ 407
Prepaid licenses	376	—
Prepaid insurance	2,278	—
Other current assets	592	67
Total prepaid expenses and other current assets	$ 3,635	$ 474

Property and Equipment, Net

Property and equipment, net is comprised of the following (in thousands):

	September 30, 2020	December 31, 2019
Leasehold improvements	$ 3,992	$ 287
Furniture and fixtures	322	265
Research equipment	3,839	2,929
Computers and software	95	61
Construction in progress	2,080	183
Total property and equipment	10,328	3,725
Less accumulated depreciation and amortization	(1,148)	(645)
Total property and equipment, net	$ 9,180	$ 3,080

Depreciation and amortization expense were $0.2 million and $0.5 million for the three and nine months ended September 30, 2020, respectively, and $0.1 million and $0.3 million for the three and nine months ended September 30, 2019, respectively.

Accrued and Other Current Liabilities

Accrued other current liabilities are comprised of the following (in thousands):

	September 30, 2020	December 31, 2019
Compensation	$ 2,544	$ 1,678
Research and development	1,419	702
Property and equipment	488	214
Other	1,370	695
Total accrued and other liabilities	$ 5,821	$ 3,289

6. Leases

The Company has operating leases for its corporate office and laboratory space and dedicated space in a vivarium in South San Francisco, California. Rent expense, which is recognized on a straight-line basis over the term of each lease, were $0.5 million and $1.4 million for the three and nine months ended September 30, 2020, respectively, and $0.4 million and $0.8 million for the three and nine months ended September 30, 2019, respectively. The total cash paid for operating leases included in the operating cash flows were $0.4 million and $1.3 million for the three and nine months ended September 30, 2020, respectively, and $0.4 million and $0.8 million for the three and nine months ended September 30, 2019, respectively. The weighted-average remaining lease term was 8.3 years for the corporate office and laboratory space leases, and 0.5 years for the vivarium lease as of September 30, 2020. The weighted-average discount rate was 10% as of September 30, 2020.

In May 2020, the Company signed an amendment to its office and laboratory facilities lease. The amended lease provides for an eight-year non-cancelable lease of additional office and laboratory space in the same building. The lease for additional office and laboratory space provides for abatement of rent during the first three months of the lease and contains rent escalations during the term of the lease. The lease for this additional space is expected to commence in the first quarter of 2021 and expires in 2029. The lease amendment also includes an extension of the lease term for the existing office and laboratory space beginning on May 1, 2020 through the first quarter of 2029. The lease agreement includes an option to extend the lease for an additional seven-year term.

Maturities of operating lease liabilities under existing operating leases as of September 30, 2020 were as follows (in thousands):

Year ending December 31,	Amount
2020 (remaining 3 months)	$ 430
2021	1,461
2022	1,452
2023	1,503
2024	1,556
2025 and thereafter	6,981
Total future minimum lease payments	13,383
Less imputed interest	(4,248)
Present value of net minimum lease payments	$ 9,135
Operating lease liabilities:	
Current	1,476
Non-current	7,659
Total lease liability	$ 9,135

Total minimum lease payments of $4.5 million related to the lease of additional space under the amendment were excluded from the table above as the lease agreement had not yet commenced as of September 30, 2020.

7. Commitments & Contingencies

Guarantee Agreement

The Company has agreements whereby it indemnifies its officers and directors for certain events or occurrences while the officer or director is, or was, serving at the Company's request in such capacity. The term of the indemnification period is for the officer's or director's lifetime. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has a director and officer insurance policy that limits its exposure and enables the Company to recover a portion of any future amounts under certain circumstances and subject to deductibles and exclusions. The Company had no liabilities recorded for these agreements as of September 30, 2020 and December 31, 2019.

Letters of Credit

The Company has a $0.4 million letter of credit agreement with a financial institution that is used as collateral for the Company's corporate headquarters' operating lease. The letter of credit automatically renews annually without amendment unless cancelled by the financial institutions within 30 days of the annual expiration date.

8. GSK Collaboration and License Agreement

In April 2017, the Company entered into the Collaboration and License Agreement (the "Collaboration Agreement") with GlaxoSmithKline Intellectual Property Development Limited and Glaxo Group Limited (together, "GSK") to research and develop therapeutics using Engineered NK Cells as carriers for target programs. On December 10, 2018, the Collaboration Agreement with GSK was terminated. For the nine months ended September 30, 2019, a nominal revenue of approximately $0.1 million was recognized in connection with the wind-down activities. There was no revenue recorded for the nine months ended September 30, 2020.

9. Stockholders' Deficit

Under the Amended and Restated Certificate of Incorporation dated August 26, 2019, the Company had a total of 126,270,161 shares of capital stock authorized for issuance, consisting of 71,919,982 shares of common stock, par value of $0.0001 per share, and 54,350,179 shares of preferred stock, par value of $0.0001 per share. Of the 54,350,179 shares of preferred stock, 6,170,349 were designated Series A convertible preferred stock and 48,179,830 were designated Series B convertible preferred stock.

In connection with the Reverse Stock Split on July 1, 2020, the Company filed a certificate of amendment to its certificate of incorporation, which provided 100,000,000 authorized shares of common stock with a par value of $0.0001 per share and 54,350,179 authorized shares of preferred stock with a par value of $0.0001 per share.

Series B Convertible Preferred Stock

On August 27, 2019, the Company entered into a Series B Preferred Stock Purchase Agreement ("Stock Purchase Agreement"). The Stock Purchase Agreement contained provisions that obligated the Company to sell, outside of its control, an additional 27,066,206 shares of Series B convertible preferred stock at the Series B Original Issue Price per share, for expected gross proceeds of $64.4 million, upon the achievement of a milestone, or by election of the holders of at least one-third of the Company's Series B convertible preferred stock at any time prior to the completion of the Company's initial public offering if the milestone was not achieved (the "Series B Milestone Closing"). If the shares were not purchased prior to the completion of the Company's initial public offering, then the right to purchase these shares would have automatically expired. In the event that an Initial Series B Closing purchaser, or its affiliates or transferees, failed to purchase their required shares in the Series B Milestone Closing, then all the Series B convertible preferred stock held by such initial Series B purchaser would have been automatically converted into one share of common stock for each ten shares of Series B convertible preferred stock.

On July 1, 2020, the Company completed the Series B Milestone Closing pursuant to a milestone waiver by the holders of the Series B convertible preferred stock, and issued 27,066,206 shares of Series B convertible preferred stock for gross proceeds of $64.4 million. On July 14, 2020, upon the closing of the Company's IPO, all outstanding shares of the Company's convertible preferred stock converted into 14,689,215 shares of the Company's common stock. There were no outstanding shares of the Company's convertible preferred stock as of September 30, 2020.

The Company determined its obligation to issue additional shares of the Company's Series B convertible preferred stock in the Series B Milestone Closing represented a freestanding financial instrument that required liability accounting. This freestanding preferred stock purchase right liability was initially recorded at fair value, with fair value changes recognized in the statements of operations and comprehensive loss. At the time the Stock Purchase Agreement was entered into in August 2019, the initial estimated fair value of the preferred stock purchase right liability was $2.8 million, and was revalued at $1.5 million as of December 31, 2019. On July 1, 2020 the preferred stock purchase right liability was revalued at an estimated fair value of $41.6 million and was reclassified to additional paid-in capital upon the exercise of the preferred stock purchase right. The Company recorded the change in the fair value of the Series B convertible preferred stock purchase right liability of $40.2 million as other expense and $3.4 million as other income in the statements of operations and comprehensive loss for the nine months ended September 30, 2020 and 2019, respectively.

Common Stock

As of September 30, 2020, the Company's amended and restated certificate of incorporation authorized the Company to issue 100,000,000 shares of common stock at a par value of $0.0001 per share.

In conjunction with the Company's July 2020 IPO closing, the Company issued and sold 16,100,000 shares of its common stock, including 2,100,000 shares pursuant to the full exercise of the underwriters' option to purchase additional shares, at a public offering price of $18.00 per share, for aggregate net proceeds of $265.1 million after deducting underwriting discounts and commissions and other offering costs. In connection with this offering, all outstanding shares of the Company's convertible preferred stock converted into 14,689,215 shares of common stock.

As of September 30, 2020 and December 31, 2019, 32,568,332 shares and 1,600,601 shares of common stock were issued and outstanding, respectively.

The following is a summary of the rights and privileges of the holders of common stock as of September 30, 2020:

Liquidation Preference: In the event of liquidation, dissolution or winding up, holders of common stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all debts and other liabilities and the satisfaction of any liquidation preference granted to the holders of any then-outstanding shares of preferred stock.

Dividends: Subject to preferences that may be applicable to any then-outstanding preferred stock, holders of common stock are entitled to receive ratably those dividends, if any, as may be declared from time to time by the Board out of legally available funds. As of September 30, 2020, no cash dividends have been declared or paid.

Voting Rights: Each holder of common stock is entitled to one vote for each share on all matters submitted to a vote of the stockholders, including the election of directors. Under the Company's amended and restated certificate of incorporation and amended and restated bylaws, stockholders will not have cumulative voting rights. Because of this, the holders of a majority of the shares of common stock entitled to vote in any election of directors can elect all of the directors standing for election, if they should so choose.

Rights and Preferences: Holders of common stock have no preemptive, conversion or subscription rights and there are no redemption or sinking fund provisions applicable to the common stock. The rights, preferences and privileges of the holders of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that the Company may designate in the future.

10. Share-Based Compensation

Equity Incentive Plan

The Company's 2020 Performance Incentive Plan (the "2020 Plan") which was adopted by the Company's board of directors in June 2020 and approved by the Company's stockholders in July 2020, became effective upon the consummation of the IPO. Upon the effectiveness of the 2020 Plan, no further grants may be made under the Company's 2015 Equity Incentive Plan (the "2015 Plan"). The Company's 2020 Plan allows for the grant of incentive stock options, non-qualified stock options, stock appreciation rights, stock bonuses, restricted stock, stock units and other forms of awards including cash awards to its officers, directors, employees, consultants and advisors. As of September 30, 2020, there were an aggregate of 2,364,268 shares of common stock issuable upon the exercise of outstanding options under the 2015 Plan. Any options or awards outstanding under the 2015 Plan remain outstanding and effective.

A total of 2,660,371 shares of the Company's common stock is authorized for issuance with respect to awards granted under the 2020 Plan. The share limit will automatically increase on the first trading day in January of each year (commencing in 2021) by an amount equal to the lesser of (1) 5% of the total number of outstanding shares of the Company's common stock on the last trading day in December in the prior year, or (2) such lesser number as determined by the Company's board of directors. Any shares subject to awards granted under the 2020 Plan or the 2015 Plan that are not paid, delivered or exercised before they expire or are canceled or terminated, or otherwise fail to vest, as well as shares used to pay the purchase or exercise price of such awards or related tax withholding obligations, will become available for new award grants under the 2020 Plan. A total of 1,239,532 options had been granted under the 2020 Plan for the three months ended September 30, 2020, and 1,495,314 shares was available for issuance under the 2020 Plan as of September 30, 2020.

The following table summarizes the option activity under the 2020 Plan and 2015 Plan during the nine months ended September 30, 2020:

	Options	Weighted-average exercise price	Weighted-average remaining contractual term (in years)
Outstanding at December 31, 2019	2,329,510	$ 3.59	9.6
Granted	1,479,794	16.50	
Exercised	(154,114)	2.17	
Forfeited	(90,210)	9.84	
Outstanding at September 30, 2020	3,564,980	$ 8.85	9.2
Exercisable at September 30, 2020	419,878	$ 4.15	8.6
Vested and expected to vest at September 30, 2020	3,564,980	$ 8.85	9.2

The weighted-average grant date fair value of stock option grants was $10.34 per share for the nine months ended September 30, 2020.

Employee Stock Purchase Plan

The Company's 2020 Employee Stock Purchase Plan (the "ESPP"), which was adopted by the Company's board of directors in June 2020 and approved by the Company's stockholders in July 2020, became effective upon the consummation of the IPO. A total of 295,599 shares of the Company's common stock is initially available for issuance under the ESPP. The ESPP allows eligible employees to purchase shares of the Company's common stock at a discount through payroll deductions of up to 15% of their eligible compensation, subject to any plan limitations. The ESPP provides for six-month offering periods, and at the end of each offering period, employees are able to purchase shares at 85% of the lower of the fair market value of the Company's common stock on the first trading day of the offering period or on the last trading day of the offering period. As of September 30, 2020, no shares had been issued under the ESPP, and the full number of shares authorized under the ESPP Plan was available for issuance purposes upon the effectiveness of the ESPP.

Liability for Early Exercise of Restricted Stock Options

Shares subject to repurchase by the Company were 107,847 shares and 132,249 shares, with the related liability of $0.1 million and $0.1 million recorded under other long-term liabilities in the balance sheets as of September 30, 2020 and December 31, 2019, respectively.

Share-Based Compensation Expense

Share-based compensation expense for the three and nine months ended September 30, 2020 and 2019 were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Research and development	$ 672	$ 93	$ 1,096	$ 156
General and administrative	937	134	1,561	226
Total share-based compensation	$ 1,609	$ 227	$ 2,657	$ 382

The total unrecognized compensation cost related to unvested share-based awards was $18.3 million, which is expected to be recognized over a weighted-average remaining service period of 3.4 years as of September 30, 2020.

Subsequently, in October 2020, the Company recorded an estimated shared-based compensation expense of $2.2 million related to the modification of certain stock option granted to its former Chief Financial Officer, Matthew Plunkett, under a Separation and Release Agreement that was executed on October 2, 2020. In addition, the Company recorded severance benefits expense of $0.3 million which is payable in the next 6 months after the termination date.

The fair value of stock options was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Common stock fair value	$ 18.86	$ 3.89	$ 16.50	$ 3.92
Risk-free interest rate	0.38%	1.47%	0.40%	1.50%
Expected volatility	75.17%	81.10%	76.08%	81.12%
Expected term (in years)	6.0	6.1	6.0	6.1
Expected dividend yield	—%	—%	—%	—%

Common Stock Reserved for Future Issuance

As of September 30, 2020, the Company had reserved the following shares of common stock for future issuance:

	September 30, 2020
Common stock options granted and outstanding	3,564,980
Reserved for future equity award grants	1,495,314
Reserved for future ESPP issuances	295,599
	5,355,893

11. Income Taxes

There was no provision for income taxes recorded during the three and nine months ended September 30, 2020 and 2019. The Company's deferred tax assets continue to be fully offset by a valuation allowance.

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

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and related notes included in Item 1 of Part I of this Quarterly Report on Form 10-Q and with the audited financial statements and the related notes included in our Registration Statement on Form S-1 and the related Prospectus dated July 9, 2020 filed with the Securities and Exchange Commission, or the SEC, pursuant to Rule 424(b)(4)of the Securities Act of 1933, as amended ("Prospectus") for the fiscal year ended December 31, 2019 and filed with the SEC on July 13, 2020, including information with respect to our plans and strategy for our business and related financing, and includes forward-looking statements that involve risks and uncertainties. As a result of many factors, including those factors set forth in the sections titled "Risk Factors" of this Quarterly Report on Form 10-Q and of our Registration Statement on Form S-1, which became effective on July 9, 2020, as updated by our Quarterly Report on 10-Q for the quarter ended June 30, 2020, on our actual results could differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Overview

We are a biopharmaceutical company focused on the discovery, development and commercialization of allogeneic, off-the-shelf engineered natural killer, or NK, cell therapies to treat cancer. Our NK cell engineering platform builds on prior experience and success with engineering T cells and includes proprietary technologies that enable us to generate an abundant supply of NK cells, improve the persistence of these cells for sustained activity in the body, engineer enhanced NK cell recognition of tumor targets and to freeze, store and thaw our engineered NK cells for off-the-shelf use for the treatment of cancer. All of our product candidates are designed to be allogeneic, meaning they are produced using cells from a different person than the patient treated, as well as off-the-shelf, meaning they are produced in quantity, then frozen and therefore available for treating patients without delay, unlike existing autologous cell therapies. Based on published data from a number of clinical trials of certain NK cell therapies, we believe that engineered NK cells can be well tolerated and avoid some of the toxicities observed with other cell therapies. Our two co-lead product candidates are NKX101 and NKX019.

Our NK cell engineering platform is designed to address the limitations and challenges of current technologies for engineering T cells and NK cells and is a result of our internal expertise and deep understanding of NK cell biology. Our platform includes proprietary technologies for NK cell expansion, persistence, targeting and cryopreservation. All of our product candidates incorporate each of the four components of our technology platform, which we believe provides the best opportunity for achieving clinically meaningful results in our development program.

On November 12, 2020, the Company announced that the first patient was treated in the multi-center Phase 1 clinical trial of NKX101 for the treatment of relapsed/refractory acute myeloid leukemia (AML) or higher risk myelodysplastic syndromes (MDS). This first-in-human study evaluates the safety, pharmacokinetics, and preliminary anti-tumor activity of NKX101, administered in a cycle of three weekly infusions following lymphodepletion. The clinical trial consists of sequential dose-finding and dose-expansion parts and is designed to identify a recommended Phase 2 dose.

Since the commencement of our operations in 2015, we have devoted substantially all of our resources in support of our product development efforts, hiring personnel, raising capital to support and expand such activities and providing general and administrative support for these operations. We have not generated any revenue from product sales and have funded our operations primarily from our initial public offering, the issuance of convertible promissory notes, private placements of our preferred stock and with proceeds from our previous collaboration with GlaxoSmithKline, or GSK. We have incurred a net loss of $21.1 million and $0.3 million during the years ended December 31, 2019 and 2018, and $73.8 million and $10.6 million during the nine months ended September 30, 2020 and 2019, respectively, and we expect to continue to incur significant losses for the foreseeable future. As of September 30, 2020, we had an accumulated deficit of $100.1 million. At September 30, 2020, we had cash, cash equivalents, restricted cash and short-term investments of $330.2 million.

We expect our operating expenses to significantly increase as we continue to develop and seek regulatory approvals for our product candidates, engage in other research and development activities to expand our pipeline of product candidates, maintain and expand our intellectual property portfolio, and ultimately establish a commercial organization and operate as a public company. 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 will need substantial additional funding, in addition to the net proceeds of our IPO, to support our continuing operations and pursue our long-term development strategy. We may seek additional funding through the issuance of our common stock, other equity or debt financing or collaborations or partnerships with other companies. The amount and timing of our future funding requirements will depend on many factors, including the pace and results of our clinical development efforts for our product candidates and other research, development and manufacturing activities. We may not be able to raise additional capital on terms acceptable to us, or at all. Any failure to raise capital as and when needed would compromise our ability to execute on our business plan and may cause us to significantly delay, scale back or discontinue the development of some of our programs or curtail any efforts to expand our product pipeline.

We issued shares of our Series B convertible preferred stock for aggregate gross proceeds of $64.4 million in the second tranche of our Series B convertible preferred stock financing on July 1, 2020. On July 14, 2020, we completed the initial public offering of our common stock, or the IPO. In connection with the IPO, we issued and sold 16,100,000 shares of our common stock, including 2,100,000 shares associated with the full exercise of the underwriters' option to purchase additional shares, at a price to the public of $18.00 per share. We received approximately $265.1 million in net proceeds, after deducting underwriting discounts and commissions and other offering expenses payable by us. The shares began trading on the Nasdaq Global Select Market on July 10, 2020. Upon completion of the IPO, all of our outstanding shares of convertible preferred stock converted into 14,689,215 shares of our common stock.

In connection with the IPO, our board of directors and stockholders approved the restated certificate of amendment to our certificate of incorporation to, among other things, effect a 1-for-3.7 reverse stock split of our issued and outstanding shares of common stock, as well as a proportional adjustment to the existing conversion ratios for our convertible preferred stock. The reverse stock split was effected on July 1, 2020. All issued and outstanding common stock and convertible preferred stock and related share and per share amounts contained in this Quarterly Report have been retroactively adjusted to reflect the reverse stock split for all periods presented.

The COVID-19 global pandemic continued to spread throughout the United States and around the world in the third quarter of 2020. The COVID-19 pandemic is contributing to a general slowdown in the global economy and may affect our business, results of operations, financial condition, and future strategic plans and those of third parties on which we rely, including by causing disruptions in the supply of our product candidates and the conduct of current and future clinical trials. In addition, the COVID-19 pandemic may affect the operations of the FDA and other health authorities, which could result in delays of reviews and approvals, including with respect to our product candidates. The extent of the impact of the COVID-19 pandemic on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and its impact on our planned preclinical studies and clinical trials, employees and vendors, all of which are uncertain and cannot be predicted. We have taken certain precautionary measures to minimize exposure of our employees to the virus and to comply with directives from public health officials. This includes work from home policies for our employees as well as enhanced safety measures for scientists who are in our labs and manufacturing facility. Some of the third-party vendors that we use have experienced disruptions during this pandemic. At this time, the extent to which the COVID-19 pandemic may impact our financial condition or results of operations is uncertain and these precautionary measures may negatively impact our productivity, and cause disruptions or delays to our activities and timelines. In response to the pandemic, the Coronavirus Aid, Relief and Economic Security Act (the CARES Act) was signed into law on March 27, 2020. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer's social security payments, net operating loss utilization and carryback periods, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. We continue to evaluate the impact of the CARES Act on our financial position, results of operations and cash flows. We currently do not believe the CARES Act will have a material impact on our financial condition, results of operations, or liquidity.

Financial Operations Overview

Collaboration Revenue

We currently have no therapeutic products approved for sale, and we have never generated any revenue from the sale of any therapeutic products. Our ability to generate product revenues will depend on the successful development and eventual commercialization of our product candidates. We may look to generate revenue from collaboration and license agreements in the future, as well as from product sales, which approval we do not expect for several years, if ever. Prior to the year ended December 31, 2019, we also generated revenue from a collaboration and license agreement with GSK, which terminated in December 2018. Revenue recorded in 2019 represented the wind down efforts associated with this agreement. Costs incurred in performing the research services under this agreement were recorded as research and development expense in our financial statements.

Operating Expenses

Research and Development

Research and development costs consist primarily of costs incurred for the discovery and clinical development of our drug candidates, which include:

- employee-related expenses, including salaries, related benefits, travel and share-based compensation expenses for employees engaged in research and development functions;
- expenses incurred in connection with research, laboratory consumables, sponsored research, and preclinical studies;

- expenses incurred in connection with conducting clinical trials including investigator grants and site payments for time and pass-through expenses and expenses incurred under agreements with contract research organizations, or CROs, other vendors or central laboratories and service providers engaged to conduct our trials;
- the cost of consultants engaged in research and development related services and the cost to manufacture drug products for use in our preclinical studies and clinical trials;
- facilities, depreciation and other expenses, which include allocated expenses for rent and maintenance of facilities, insurance and supplies;
- costs related to regulatory compliance; and
- the cost of annual license fees.

Our research and development expenses through September 30, 2020 were primarily incurred in connection with the preclinical development of our most advanced program, NKX101. However, we have not historically tracked research and development expenses by program. We typically have various early stage research and drug discovery projects as well as various product candidates undergoing clinical trials. Our internal resources, employees and infrastructure are not directly tied to any one research or drug discovery project and are typically deployed across multiple projects. As such, we do not maintain information regarding these costs incurred for these early stage research and drug discovery programs on a project-specific basis.

We expense research and development costs as they are incurred. Nonrefundable advance payments for goods or services to be received in the future for use in research and development activities are recorded as prepaid expenses. The prepaid amounts are expensed as the related goods are delivered or the services are performed.

The following table summarizes our research and development expenses for the three and the nine months ended September 30, 2020 and 2019. The direct external development program expenses reflect external costs attributable to our clinical development candidates and preclinical candidates selected for further development. Such expenses include third-party contract costs relating to manufacturing, clinical trial activities, translational medicine and toxicology activities. The unallocated internal research and development costs include personnel, facility costs, laboratory consumables and discovery and research related activities associated with our pipeline.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(in thousands)			
Direct external development program expenses:				
NKX101	$ 1,930	$ 1,156	$ 5,737	$ 2,101
NKX019	356	5	443	19
Program 3	349	—	406	—
Unallocated internal research and development costs:				
Personnel related (including share-based compensation)	4,587	2,035	11,681	4,920
Others	2,606	1,424	6,683	3,495
Total research and development costs	$ 9,828	$ 4,620	$ 24,950	$ 10,535

Research and development activities are central to our business model. There are numerous factors associated with the successful commercialization of any of our drug 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. In addition, future regulatory factors beyond our control may impact our clinical development programs. Drug 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. At this time, we cannot reasonably estimate or know the nature, timing and costs of the efforts that will be necessary to complete the preclinical and clinical development of any of our drug candidates. However, we expect that our research and development expenses will increase substantially in connection with our planned preclinical and clinical development activities in the near term and in the future.

The successful development of our drug candidates is highly uncertain. This is due to numerous risks and uncertainties, including the following:

- successful completion of preclinical studies and clinical trials;
- delays in regulators or institutional review boards authorizing us or our investigators to commence our clinical trials or in our ability to negotiate agreements with clinical trial sites or contract research organizations;

- the number of enrolled participants and clinical sites included in the trials;
- raising additional funds necessary to complete clinical development of our drug candidates;
- obtaining and maintaining patent, trade secret and other intellectual property protection and regulatory exclusivity for our drug candidates;
- establishing manufacturing capabilities, for clinical supplies of our drug candidates;
- the results of our clinical trials;
- protecting and enforcing our rights in our intellectual property portfolio;
- maintaining a continued acceptable safety profile of the products following approval; and
- business interruptions resulting from the COVID-19 global pandemic.

A change in the outcome of any of these variables with respect to the development of our drug candidates may significantly impact the costs and timing associated with the development of our drug candidates. We may never succeed in obtaining regulatory approval for any of our drug candidates.

General and Administrative

General and administrative expenses consist primarily of salaries and employee-related costs, including share-based compensation, for personnel in executive, finance and other administrative functions. Other significant costs include legal fees relating to intellectual property and corporate matters, professional fees for accounting and consulting services and facility-related costs.

We expect our general and administrative expenses will increase for the foreseeable future to support our increased research and development activities and to reflect increased costs associated with operating as a public company. These increased costs will likely include increased expenses related to audit, legal, regulatory and tax-related services associated with maintaining compliance with exchange listing and SEC requirements, director and officer insurance premiums and investor relations costs.

Other Income (Expense)

Change in Fair Value of Preferred Stock Purchase Right Liability

In August 2019, we entered into a Series B Preferred Stock Purchase Agreement that contained future purchase rights that were required to be accounted for as liabilities and remeasured to fair value at each reporting date, with any change in the fair value reported as a component of other expense, net. We recorded adjustments to the estimated fair value of the preferred stock purchase rights until they were exercised in July 2020. At that time, the convertible preferred stock purchase right liability was reclassified to additional paid-in capital and we will no longer record any related periodic fair value adjustments.

Change in Fair Value of Derivative Liability

In May 2019, we issued convertible promissory notes that contained certain conversion options that were required to be accounted for as liabilities and remeasured to fair value at each reporting date, with changes in the fair value reported as a component of other income (expense). In August 2019, our convertible promissory notes and related accrued interest converted into Series B convertible preferred stock and a final remeasurement adjustment was recorded.

Loss from Extinguishment of Debt

The loss from extinguishment of debt represented the write-off of the unamortized debt issuance costs, slightly offset by the remaining unamortized debt discount, on the date the convertible promissory notes converted into Series B convertible preferred stock.

Interest Expense

Interest expense consisted of interest on our convertible promissory notes that were outstanding during 2019.

Interest Income

Interest income consists of interest earned on our cash, cash equivalents and short-term investments.

Results of Operations

The following table summarizes our results of operations for the periods indicated (in thousands):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	2020	2019	Change
Collaboration revenue	$ —	$ —	$ —	$ —	$ 115	$ (115)
Operating expenses:						
Research and development	9,828	4,620	5,208	24,950	10,535	14,415
General and administrative	3,918	1,289	2,629	8,560	3,281	5,279
Total operating expenses	13,746	5,909	7,837	33,510	13,816	19,694
Loss from operations	(13,746)	(5,909)	(7,837)	(33,510)	(13,701)	(19,809)
Other income (expense), net:						
Change in fair value of preferred stock purchase right liability	—	3,383	(3,383)	(40,163)	3,383	(43,546)
Change in fair value of derivative liability	—	858	(858)	—	858	(858)
Loss from extinguishment of debt	—	(752)	752	—	(752)	752
Interest income	206	—	206	358	60	298
Interest expense	—	(283)	283	—	(472)	472
Other income (expense), net	(153)	35	(188)	(149)	35	(184)
Total other income (expense), net	53	3,241	(3,188)	(39,954)	3,112	(43,066)
Net loss	$ (13,693)	$ (2,668)	$ (11,025)	$ (73,464)	$ (10,589)	$ (62,875)

Comparison of the Three and Nine Months Ended September 30, 2020 and 2019

Collaboration revenue. Revenue earned under our collaboration and license agreement with GSK was $0.1 million for the nine months ended September 30, 2019. Collaboration revenue recognized during 2019 was nominal in amount and was related to wind-down activities as the collaboration agreement with GSK was terminated in December 2018. There will be no further revenues recognized under this agreement.

Research and development expenses. Research and development expenses were $9.8 million and $4.6 million for the three months ended September 30, 2020 and 2019, respectively. The increase of $5.2 million was primarily due to an increase in personnel costs of $2.6 million, including an increase in share-based compensation expense of $0.6 million as a result of continued growth in headcount, and increases of $1.5 million in program costs primarily relating to NKX101 and $1.2 million in other internal research costs, primarily consisting of research and laboratory supplies and facilities expenses.

Research and development expenses were $25.0 million and $10.5 million for the nine months ended September 30, 2020 and 2019, respectively. The increase of $14.4 million was primarily due to increases of $6.7 million in personnel costs, including an increase in share-based compensation expense of $0.9 million, and increases of $4.5 million in our external program costs, and $3.2 million in other internal research costs and facility expenses. We expect our research and development expenses will increase in the future periods as we progress our product candidates and conduct our clinical trials and development activities.

General and administrative expenses. General and administrative expenses were $3.9 million and $1.3 million for the three months ended September 30, 2020 and 2019, respectively. The increase of $2.6 million was primarily due to an increase in personnel costs of $1.1 million, including an increase of $0.8 million in share-based compensation expense as a result of continued growth in headcount, and increases of $0.8 million increase in outside consulting, legal and accounting fees and a $0.7 million increase in facilities expenses that included rent and depreciation expense.

General and administrative expenses were $8.6 million and $3.3 million for the nine months ended September 30, 2020 and 2019, respectively. The increase of $5.3 million was primarily due to increases of $2.4 million in personnel costs, including an increase of $1.3 million in share-based compensation expense, and increases of $2.0 million in professional services related to accounting services, corporate legal fees, other consulting and patent legal fees, and $0.9 million in facilities expense. We expect to incur additional expenses as a result of being a public company following the completion of our IPO in July 2020, including costs to

comply with the rules and regulations applicable to companies listed on a national securities exchange and costs related to compliance and reporting obligations pursuant to the rules and regulations of the SEC. In addition, we have incurred and expect to continue to incur increased expenses related to additional insurance, investor relations and other increases related to needs for additional human resources and professional services associated with being a public company.

Change in fair value of preferred stock purchase right liability. We recognized a remeasurement adjustment for the change in fair value of preferred stock purchase right liability of nil and $3.4 million in other income for the three months ended September 30, 2020 and 2019, respectively, and $40.2 million in other expense and $3.4 million in other income for the nine months ended September 30, 2020 and 2019, respectively. This was related to the Series B Preferred Stock Purchase Agreement that we entered into in August 2019, which contained future purchase rights that were required to be accounted for as liabilities and remeasured to fair value at each reporting date, with any change in the fair value reported as a component of other expense, net. Upon the completion of the Series B Milestone Closing in July 2020, which resulted to the issuance of 27,066,206 shares of our Series B convertible preferred stock for an aggregate gross proceeds of $64.4 million, the final remeasurement adjustment of the preferred stock purchase right liability was recorded and reclassified to additional paid-in capital on the balance sheets upon the exercise of the preferred stock purchase right.

Change in fair value of derivative liability. The change in fair value of derivative liability resulted in a remeasurement benefit of $0.9 million for the three and nine months ended September 30, 2019. This was related to the conversion of our convertible promissory notes and related accrued interest into Series B convertible preferred stock upon the sale of the Series B convertible preferred stock in August 2019. The final remeasurement adjustment of the derivative liability was recorded in August 2019.

Loss from extinguishment of debt. Loss from extinguishment of debt was $0.8 million for the three and nine months ended September 30, 2019. This was related to the conversion of our convertible promissory notes into our Series B convertible preferred stock in August 2019 that resulted in the write-off of all related unamortized debt issuance costs offset by the remaining unamortized debt discount.

Interest income. Interest income was $0.2 million and $0.4 million for the three and nine months ended September 30, 2020, respectively. Interest income was not significant for the three and nine months ended September 30, 2019. The increase in interest income was due to the interest earned from the purchase of marketable securities starting in October 2019.

Interest expense. Interest expense was $0.3 million and $0.5 million for the three and nine months ended September 30, 2019, respectively. The non-cash interest expense was related to a debt discount feature on our convertible promissory notes issued in May 2019.

Liquidity and Capital Resources

Sources of Liquidity

As of September 30, 2020, we had cash, cash equivalents, restricted cash and short-term investments of $330.2 million. In connection with our IPO which closed on July 14, 2020, we received $265.1 million in net proceeds, after deducting underwriting discounts and commissions and other offering expenses. We issued and sold 16,100,000 shares of our common stock, including 2,100,000 shares associated with the full exercise of the underwriters' option to purchase additional shares, at a price to the public of $18.00 per share. On July 1, 2020, we issued 27,066,206 shares of our Series B convertible preferred stock at a price of $2.37935 per share for gross proceeds of $64.4 million in connection with the closing of the second tranche of our Series B convertible preferred stock financing upon the exercise of the preferred stock purchase right.

Prior to our IPO, we funded our operations primarily through the issuance of convertible promissory notes and private placements of our convertible preferred stock with a total gross proceeds of $126.0 million, and from our previous collaboration agreement with GSK which terminated in December 2018 of $7.9 million.

We have incurred net losses and negative cash flows from operations since our inception and anticipate that we will continue to incur net losses for the foreseeable future. We expect to incur substantial expenditures as we develop our product pipeline and advance our drug candidates through clinical development, undergo the regulatory approval process and, if approved, launch commercial activities. Specifically, in the near term we expect to incur substantial expenses relating to initiating and completing our clinical trials, the development and validation of our manufacturing processes, and other development activities. Furthermore, we expect to incur additional costs associated with operating as a public company, including significant legal, accounting, investor relations and other expenses that we did not incur as a private company.

We will need substantial additional funding to support our continuing operations and pursue our development strategy. Until such time as we can generate significant revenue from sales of our drug candidates, if ever, we expect to finance our operations through the sale of equity, debt financings or other capital sources, including potential collaborations with other companies or other strategic transactions. Adequate funding may not be available to us on acceptable terms, or at all. If we fail to raise capital or enter into such agreements as, and when, needed, we may have to significantly delay, scale back, or discontinue the development and commercialization of our drug candidates or delay our efforts to expand our product pipeline. We may also be required to sell or license to other parties' rights to develop or commercialize our drug candidates that we would prefer to retain.

We believe that our cash and investment balances as of September 30, 2020 will be sufficient to meet our cash needs for at least 12 months following the issuance date of this Quarterly Report on Form 10-Q.

Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated (in thousands):

	Nine Months Ended September 30,	
	2020	**2019**
Net cash used in operating activities	$ (30,652)	$ (11,731)
Net cash used in investing activities	(131,358)	(1,306)
Net cash provided by financing activities	330,116	44,445
Net increase in cash and cash equivalents	$ 168,106	$ 31,408

Operating Activities

Net cash used in operating activities was $30.7 million and $11.7 million for the nine months ended September 30, 2020 and 2019, respectively. The net cash used in operating activities for the nine months ended September 30, 2020 was primarily due to our net loss of $73.5 million, adjusted for $43.6 million of net non-cash charges consisting primarily of share-based compensation of $2.7 million, depreciation and amortization of $0.5 million and change in fair value of our preferred stock purchase right liability of $40.2 million, and a $0.8 million net change in operating assets and liabilities. The net cash used in operating activities for the nine months ended September 30, 2019 was primarily due to our net loss of $10.6 million, adjusted for non-cash charges consisting primarily of $0.8 million of depreciation and amortization, share-based compensation and leases, $3.4 million of change in fair value of the preferred stock purchase right liability, $0.9 million of change in fair value of derivative liability and $0.8 million of non-cash loss from extinguishment of debt and $0.5 million of non-cash interest expense on convertible notes, and a $1.1 million net change in operating assets and liabilities.

Investing Activities

Net cash provided by investing activities was $131.4 million and net cash used in investing activities was $1.3 million for the nine months ended September 30, 2020 and 2019, respectively. The net cash used by investing activities for the nine months ended September 30, 2020 was primarily due to purchases of short-term investments of $144.9 million offset by proceeds from maturities of short-term investments of $20.0 million and purchases of property and equipment of $6.4 million primarily related to the construction of our manufacturing facility. The net cash used in investing activities for the nine months ended September 30, 2019 was due to purchases of property and equipment of $1.3 million to support our research activities.

Financing Activities

Net cash provided by financing activities was $330.1 million for the nine months ended September 30, 2020, primarily due to the proceeds of $265.5 million from initial public offering, net of issuance costs, proceeds of $64.3 million from the issuance of our Series B convertible preferred stock, net of issuance costs, and proceeds of $0.3 million from the exercise of stock options. Net cash provided by financing activities was $44.4 million for the nine months ended September 30, 2019, primarily due to the proceeds of $6.0 million received from the issuance of our convertible promissory notes, net of issuance costs and proceeds of $38.4 million from the issuance of convertible preferred stock, net of issuance costs.

Funding Requirements

Based upon our current operating plans, we believe that our existing cash, cash equivalents, restricted cash and short-term investments will be sufficient to fund our operations for at least the next 12 months from the date of this filing. However, our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement that involves risks and uncertainties, and actual results could vary materially. We have based this estimate on assumptions that may prove to be wrong, and we could deplete our capital resources sooner than we expect. Additionally, the process of testing therapeutic product candidates in clinical trials is costly, and the timing of progress and expenses in these trials is uncertain.

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

- the type, number, scope, progress, expansions, results, costs and timing of, our clinical trials and preclinical studies for our product candidates or other potential product candidates or indications which we are pursuing or may choose to pursue in the future;
- the outcome, timing and costs of regulatory review of our product candidates;
- the costs and timing of manufacturing for our product candidates, including commercial manufacturing and the costs associated with building our manufacturing facility;
- our efforts to enhance operational systems and hire additional personnel to satisfy our obligations as a public company, including enhanced internal controls over financial reporting;
- the costs associated with hiring additional personnel and consultants as our preclinical and clinical activities increase;
- the costs and timing of establishing or securing sales and marketing capabilities if any product candidate is approved;
- our ability to achieve sufficient market acceptance, coverage and adequate reimbursement from third-party payors and adequate market share and revenue for any approved products;
- patients' willingness or ability to pay out-of-pocket for any approved products in the absence of coverage and/or adequate reimbursement from third-party payors;
- the terms and timing of establishing and maintaining collaborations, licenses and other similar arrangements, including payments required for meeting regulatory and commercial milestones or sales based royalties;
- the costs of obtaining, maintaining and enforcing our patent and other intellectual property rights; and
- costs associated with any product candidates, products or technologies that we may in-license or acquire.

Until such time as we can generate significant revenue from sales of our therapeutic product candidates, if ever, we expect to finance our cash needs through public or private equity or debt financings or other capital sources, including potential collaborations, licenses and other similar arrangements. We may be unable to raise additional funds or enter into such other arrangements when needed on favorable terms or at all. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of our stockholders will be or could be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of our common stockholders. Debt financing and 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 capital expenditures or declaring dividends. If we raise funds through collaborations, or other similar arrangements with third parties, we may have to relinquish valuable rights to our product candidates, future revenue streams or research programs or may have to grant licenses on terms that may not be favorable to us and may reduce the value of our common stock. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market our product candidates even if we would otherwise prefer to develop and market such product candidates ourselves.

Contractual Obligations and Commitments

The following table summarizes our contractual obligations and commitments at September 30, 2020 (in thousands):

	Payments Due by Period				
	Total	Less Than 1 Year	1 to 3 Years	4 to 5 Years	More Than 5 Years
			(Unaudited)		
Operating lease commitments [1]	$ 17,920	$ 1,751	$ 4,003	$ 4,288	$ 7,878

(1) Payments due for our leases of the office, laboratory and vivarium space in South San Francisco, California that expire in 2026, in the case of the corporate office and laboratory space, and in 2021 in the case of the vivarium space.

In May 2018, we entered into a lease agreement for our corporate office and laboratory space located in South San Francisco, California with an expiration date in May 2025. In April 2019, we executed the first amendment to the lease agreement for additional corporate space, laboratory space and manufacturing capabilities and an extension to the lease term through April 2026. The terms of the lease contain a rent abatement for the first month and rent escalation provisions. In addition to the base rent payments, we will be obligated to pay certain customary amounts for our share of operating expenses and tax obligations related to the facilities.

In May 2020, we executed the second amendment to the lease agreement for an eight-year non-cancelable lease for additional office and laboratory space in the same building. The lease for the additional space provided for abatement of rent during the first three months of the lease and contained rent escalations during the term of the lease. The lease for this additional space is expected to commence in the first quarter of 2021 and expires in 2029. The lease also includes an extension of the lease term of our existing office and laboratory space beginning May 1, 2020 through the first quarter of 2029, with an option to extend the lease for an additional seven-year term.

Off-Balance Sheet Arrangements

During the periods presented, we did not have, nor do we currently have, any off-balance sheet arrangements as defined under the rules and regulations of the SEC.

Critical Accounting Policies and Significant Judgments and Estimates

Our management's discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses and the disclosure of contingent assets and liabilities in our financial statements and accompanying notes. On an ongoing basis, we evaluate our estimates and judgments, including those related to accrued expenses, preferred stock purchase right liability, and share-based compensation. We base our estimates and assumptions on historical experience, known trends and events, and various other factors that are believed to be reasonable and appropriate under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

There have been no significant changes in our critical accounting policies and estimates during the nine months ended September 30, 2020, as compared to the critical accounting policies and estimates disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 2 to the audited financial statements for the fiscal year ended December 31, 2019 included in our Prospectus.

Recently Issued Accounting Pronouncements

See Note 2 to our financial statements included elsewhere in this Quarterly Report on Form 10-Q for recently issued accounting pronouncements.

Indemnification

As permitted under Delaware law and in accordance with our bylaws, we indemnify our officers and directors for certain events or occurrences while the officer or director is or was serving in such capacity. We are also party to indemnification agreements with our officers and directors. We believe the fair value of the indemnification rights and agreements is minimal. Accordingly, we have not recorded any liabilities for these indemnification rights and agreements as of September 30, 2020 and December 31, 2019.

Segment Information

We have one business activity and operate in one reportable segment.

JOBS Act

We are an "emerging growth company" as described under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, and we could have taken advantage of an extended transition period for complying with new or revised accounting standards. This would have allowed us to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have chosen irrevocably to "opt out" of such extended transition period, and as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. We intend to rely on other exemptions provided by the JOBS Act, including without limitation, not being required to comply with the auditor attestation requirements of Section 404(b) of Sarbanes-Oxley. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

We will remain an emerging growth company until the earliest of (i) the last day of the fiscal year following the fifth anniversary of the consummation of our IPO, (ii) the last day of the fiscal year in which we have total annual gross revenue of at least $1.07 billion, (iii) the last day of the fiscal year in which we are deemed to be a "large accelerated filer" as defined in Rule 12b-2 under the Exchange Act, which would occur if the market value of our common stock held by non-affiliates exceeded $700.0 million as of the last business day of the second fiscal quarter of such year, or (iv) the date on which we have issued more than $1.0 billion in non-convertible debt securities during the prior three-year period. Even after we no longer qualify as an emerging growth company, we may still qualify as a smaller reporting company, which would allow us to take advantage of many of the same exemptions from disclosure requirements, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and reduced disclosure obligations regarding executive compensation in our prospectuses and in our periodic reports and proxy statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We hold certain financial instruments for which a change in prevailing interest rates may cause the principal amount of the marketable securities to fluctuate. Financial instruments that potentially subject us to significant concentrations of credit risk consist primarily of cash, cash equivalents, restricted cash and short-term investments. We invest our excess cash primarily in money market funds, commercial paper and debt instruments of financial institutions, corporations, U.S. government-sponsored agencies and the U.S. Treasury. The primary objectives of our investment activities are to ensure liquidity and to preserve principal while at the same time maximizing the income we receive from our marketable securities without significantly increasing risk. Additionally, we established guidelines regarding approved investments and maturities of investments, which are designed to maintain safety and liquidity. For marketable investment securities with short-term maturities, we do not believe that an increase or decrease in market rates would have a significant impact on the realized values or the statements of operations and comprehensive loss. As such, we believe that if a 10.0% change in interest rates were to have occurred on September 30, 2020, this change would not have had a material effect on the fair value of our investment portfolio as of that date.

We are exposed to market risk related to changes in foreign currency exchange rates. We contract with vendors that are located outside the United States and certain invoices are denominated in foreign currencies. We are subject to fluctuations in foreign currency rates in connection with such arrangements. We do not currently hedge our foreign currency exchange risk.

Inflation generally affects us by increasing our cost of labor and research and development contract costs. We do not believe inflation has had a material effect on our results of operations during the periods presented.

We do not believe that inflation, interest rate changes, or exchange rate fluctuations had a significant impact on our results of operations for any periods presented herein.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

Our management, with the participation of our chief executive and financial officers, evaluated the effectiveness of our disclosures controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of September 30, 2020. 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 is 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 a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, 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 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 September 30, 2020, our chief executive officer and chief financial and business officer concluded that, as of such date, our disclosure controls and procedures were effective at a reasonable assurance level.

Changes in Internal Control over Financial Reporting

Management determined that, as of September 30, 2020, there were no changes in our internal control over financial reporting that occurred during the fiscal quarter then ended that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we may become involved in legal proceedings arising in the ordinary course of our business. Our management believes that there are currently no claims or actions pending against us, the ultimate disposition of which would have a material adverse effect on our results of operations, financial condition or cash flows.

Item 1A. Risk Factors.

As of the date of this Quarterly Report on Form 10-Q, there have been no material changes from the risk factors disclosed in our registration statement on Form S-1 filed with the SEC, which became effective on July 9, 2020, as updated by our Quarterly Report on Form 10-Q for the quarter ended June 30, 2020. Any of such factors could result in a significant or material adverse effect on our result of operations or financial conditions. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations. We may disclose changes to such factors or disclose additional factors from time to time in our future filings with the SEC.

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

Recent Sales of Unregistered Securities

During the three months ended September 30, 2020, we have made sales of the following unregistered securities (share and per share amounts reflect a 1-for-3.7 reverse stock split of our common stock effected on July 1, 2020 unless otherwise provided):

1. We granted stock options under our 2020 Plan to purchase an aggregate of 1,170,600 shares of our common stock at a weighted average exercise price of $18.00 per share to a total of 76 employees, directors and consultants.
2. Options to purchase 5,897 shares of our common stock have been exercised for aggregate consideration of approximately $13,672 and options to purchase 13,243 shares have been canceled.
3. We issued and sold 27,066,206 shares of convertible preferred stock at a price per share of $2.37935 in the second tranche of our Series B preferred stock financing. The Series B preferred stock was convertible at a conversion rate equal to one share of Common Stock per 3.7 shares of Series B Preferred Stock at any time at the holder's election and were automatically converted into 7,315,181 shares of our common stock upon the closing of our IPO.

The issuances and sales of the securities listed above were deemed to be exempt from registration under the Securities Act in reliance on Section 4(a)(2) of the Securities Act or Rule 701 promulgated under Section 3(b) of the Securities Act, as transactions by an issuer not involving a public offering or transactions pursuant to compensatory benefit plans and contracts relating to compensation as provided under Rule 701.

Use of Proceeds

On July 14, 2020, we completed our IPO. Our registration statement on Form S-1 (File Nos. 333-239301) relating to the IPO was declared effective by the SEC on July 9, 2020. The offering commenced on July 9, 2020 and following the sale of the shares upon the closing of the IPO, the offer terminated. We issued an aggregate of 16,100,000 shares of our common stock at a price of $18.00 per share for aggregate net cash proceeds of $265.1 million, after deducting underwriting discounts and commissions and other offering costs payable by us of approximately $24.7 million. No offering expenses were paid directly or indirectly to any of our directors or officers (or their associates) or persons owning 10% or more of any class of our equity securities or to any other affiliates.

The sale and issuance of 16,100,000 shares in the IPO closed on July 14, 2020. Cowen, Evercore ISI, Stifel, and Mizuho acted as joint book-running managers for the IPO.

There has been no material change in the planned use of proceeds from our IPO as described in our Prospectus. As of September 30, 2020, we have not used any of the proceeds from our IPO. We invested the funds received in cash equivalents and other marketable securities in accordance with our investment policy.

Repurchase of Shares of Company Equity Securities

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	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation of Nkarta, Inc.	8-K	001-39370	3.1	7/14/2020
3.2	Amended and Restated Bylaws of Nkarta, Inc.	8-K	001-39370	3.2	7/14/2020
4.1	Form of Common Stock Certificate of the Registrant.	S-1/A	333-239301	4.1	7/2/2020
10.1#	Form of Indemnification Agreement between the Registrant and each of its directors and executive officers.	S-1/A	333-239301	10.1	7/2/2020
10.2#	2020 Performance Incentive Plan.	S-1/A	333-239301	10.4	7/2/2020
10.3#	2020 Employee Stock Purchase Plan.	S-1/A	333-239301	10.5	7/2/2020
10.4#	Form of Director Option Agreement between Registrant and certain of its directors.	10-Q	001-39370	10.5	8/20/2020
10.5#	Form of non-qualified Stock Option Agreement between Registrant and certain of its officers and employees.	10-Q	001-39370	10.6	8/20/2020
10.6*#	Nkarta, Inc. Non-Employee Director Compensation Policy.				
10.7	Separation and Release Agreement between Nkarta, Inc. and Matthew Plunkett, dated Oct 2, 2020.	8-K	001-39370	10.1	10/05/2020
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+	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.				
101.INS	XBRL Instance Document				
101.SCH	XBRL Taxonomy Extension Schema Document				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				

101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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* Filed herewith.

\# Indicates management contract or compensatory plan

\+ This certification is being furnished solely to accompany this Quarterly Report on Form 10-Q pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing of the registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof, regardless of any general incorporation language in 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.

Nkarta, Inc.

Date: November 12, 2020

By: /s/ Paul J. Hastings
Paul J. Hastings
Chief Executive Officer
(Principal Executive Officer)

Date: November 12, 2020

By: /s/ Nadir Mahmood
Nadir Mahmood
Chief Financial and Business Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 10.6

NKARTA, INC.
DIRECTOR COMPENSATION POLICY

(As Amended September 17, 2020)

Directors of Nkarta, Inc., a Delaware corporation (the "Company"), who are not employed by the Company or one of its subsidiaries ("Non-Employee Directors") are entitled to the compensation set forth below for their service as a member of the Board of Directors (the "Board") of the Company. This policy is effective as of the date of the initial public offering of the Company's common stock (the "Effective Date"). The Board (or any committee of the Board within the authority delegated to it) has the right to amend this policy from time to time.

Cash Compensation

Annual Retainer	$35,000
Additional Board Chair/Lead Independent Director Retainer	$30,000
Additional Committee Chair Retainers:	
Audit Committee Chair	$15,000
Compensation Committee Chair	$10,000
Nominating and Governance Committee Chair	$8,000
Additional Committee Retainers:	
Audit Committee	$7,500
Compensation Committee	$5,000
Nominating and Governance Committee	$4,000

The retainers set forth above are expressed as annualized amounts. These retainers will be paid on a quarterly basis, in arrears after the end of each fiscal quarter, to the Non-Employee Directors serving on the Board (or in the applicable position, in the case of the Additional Board Chair/Lead Independent Director Retainer or an Additional Committee or Committee Chair Retainer) during such fiscal quarter. Retainers for the fiscal quarter in which the Effective Date occurs will be paid on a pro-rated basis. If an individual serves as a Non-Employee Director, Chair of the Board or lead independent director, or Chair or member of a Board committee, as the case may be, for only a portion of a fiscal quarter, the Non-Employee Director will be paid a pro-rata portion of the applicable retainer for such quarter based on the time the individual served in the applicable position.

Equity Compensation

Annual Equity Awards for Continuing Board Members

Commencing in 2021, on the date of each annual meeting of the Company's stockholders at which one or more directors are to be elected to the Board, each Non-Employee Director continuing in office after that date will be granted an award of Company stock options ("Options") having a grant date fair value equal to approximately $135,000 (the "Grant Date Value"). Each such award of Options will be scheduled to vest on the first to occur of (i) the first anniversary of the date of grant of the award, or (ii) on the day immediately preceding the first Annual Meeting to occur after the date of grant of the award.

Initial Equity Awards

Each new Non-Employee Director appointed or elected to the Board after the Effective Date will (unless otherwise provided by the Board) be granted, on the date that the new Non-Employee Director first becomes

a member of the Board, an award of Options having a grant date fair value equal to approximately two times the Grant Date Value. Each such award of Options will be scheduled to vest as to one-third of the Options subject to the award on each of the first, second and third anniversaries of the date of grant of the award.

If a Non-Employee Director is first elected to the Board at an Annual Meeting, the Non-Employee Director will be entitled to an initial equity award pursuant to the immediately preceding paragraph but will not (unless otherwise provided by the Board) be eligible for an annual equity award in connection with that Annual Meeting. Unless otherwise provided by the Board, an employee or former employee of the Company or one of its subsidiaries who ceases or has ceased to be so employed and becomes a Non-Employee Director will not be eligible for an initial equity award grant pursuant to the immediately preceding paragraph, but will be eligible for cash compensation and annual equity awards on the same basis as other Non-Employee Directors.

Provisions Applicable to All Non-Employee Director Equity Awards

Each Option granted to a Non-Employee Director will be granted under and subject to the terms and conditions of the Company's 2020 Performance Incentive Plan or any successor equity compensation plan approved by the Company's stockholders and in effect at the time of grant.

Unless otherwise provided by the Board in connection with a particular award, each award of Options granted to a Non-Employee Director will have a maximum term of 10 years, will vest (to the extent then outstanding and otherwise unvested) should a change in control of the Company occur (as defined in the applicable award agreement), and will be evidenced by and subject to the terms and conditions of the Company's standard form of stock option award agreement for Non-Employee Director stock option grants as in effect on the date of grant of the award. The per share exercise price of each Option granted to a Non-Employee Director will equal the closing price of a share of Company common stock on the date of grant of the award (or, if such date of grant is not a trading day, the closing price of a share of Company common stock on the last trading day immediately preceding the date of grant of the Award), with such exercise price and the number of shares subject to the award subject to adjustment for stock splits and similar events as provided in the applicable stock option award agreement.

The Board (or any committee of the Board within the authority delegated to it) may approve other grants of equity-based awards to Non-Employee Directors from time to time, on such terms as the Board (or committee) may determine and subject to the applicable provisions of the Company's equity compensation plan then in effect.

Expense Reimbursement. All Non-Employee Directors will be entitled to reimbursement from the Company for their reasonable travel (including airfare and ground transportation), lodging and meal expenses incident to meetings of the Board or committees thereof or in connection with other Board-related business. The Company will make reimbursement to a non-employee director within a reasonable amount of time following submission by the non-employee director of reasonable written substantiation for the expenses.

Exhibit 31.1

NKARTA, INC.
CERTIFICATIONS PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

CERTIFICATION

I, Paul J. Hastings, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Nkarta, 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 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) 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

   (c) 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer 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 12, 2020

By: /s/ Paul J. Hastings

Paul J. Hastings
Chief Executive Officer

Exhibit 31.2

NKARTA, INC.
CERTIFICATIONS PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

CERTIFICATION

I, Nadir Mahmood, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Nkarta, 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 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) 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

   (c) 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer 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 12, 2020

By: /s/ Nadir Mahmood

Nadir Mahmood
Chief Financial and Business Officer

Exhibit 32

NKARTA, INC.
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 Nkarta, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Paul J. Hastings, Chief Executive Officer of the Company, and Nadir Mahmood, Chief Financial and Business Officer, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) 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 12, 2020 By: /s/ Paul J. Hastings

Paul J. Hastings
Chief Executive Officer

Date: November 12, 2020 By: /s/ Nadir Mahmood

Nadir Mahmood
Chief Financial and Business Officer