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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2023

OR

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

For the transition period from _____ to _____

Commission file number: 001-37544

ARMATA PHARMACEUTICALS, INC.
(Exact name of registrant as specified in its charter)

Washington	**91-1549568**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
5005 McConnell Avenue Los Angeles , CA	**90066**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(310) 665-2928**

4503 Glencoe Avenue, Marina Gel Ray, CA

(Former name, former address, and former fiscal year, if changed since last year)

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 , $0.01 par value per share	ARMP	NYSE American

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, a smaller reporting company or an emerging growth company as defined in Rule 12b-2 of the Exchange Act. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

The number of shares of the registrant's Common Stock, par value $0.01 per share, outstanding as of November 10, 2023 was 36,146,574 .

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Quarterly Report") and certain information incorporated herein by reference contain forward-looking statements, which are provided under the "safe harbor" protection of the Private Securities Litigation Reform Act of 1995. These statements relate to future events, results or to our future financial performance and involve known and unknown risks, uncertainties, and other factors which may cause our actual results, performance, or events to be materially different from any future results, performance, or events expressed or implied by the forward-looking statements. Forward-looking statements in this Quarterly Report include, but are not limited to, statements regarding:

- our estimates regarding anticipated operating losses, capital requirements and needs for additional funds;
- our ability to raise additional capital when needed and to continue as a going concern;
- our ability to manufacture, or otherwise secure the manufacture of, sufficient amounts of our product candidates for our preclinical studies and clinical trials;
- our clinical development plans, including planned clinical trials;
- our research and development plans, including our clinical development plans;
- our ability to select combinations of phages to formulate our product candidates;
- our development of bacteriophage-based therapies;
- the potential use of bacteriophages to treat bacterial infections;
- the potential future of antibiotic resistance;
- our ability for bacteriophage therapies to disrupt and destroy biofilms and restore sensitivity to antibiotics;
- our planned development strategy, presenting data to regulatory agencies and defining planned clinical studies;
- the expected timing of additional clinical trials, including Phase 1b/Phase 2 or registrational clinical trials;
- our ability to manufacture and secure sufficient quantities of our product candidates for clinical trials;
- the drug product candidates to be supplied by us for clinical trials;
- the potential for bacteriophage technology being uniquely positioned to address the global threat of antibiotic resistance;
- the safety and efficacy of our product candidates;
- our anticipated regulatory pathways for our product candidates;
- the activities to be performed by specific parties in connection with clinical trials;
- our ability to successfully complete preclinical and clinical development of, and obtain regulatory approval of our product candidates and commercialize any approved products on our expected timeframes or at all;
- our pursuit of additional indications;

- the content and timing of submissions to and decisions made by the U.S. Food and Drug Administration (the "FDA") and other regulatory agencies;
- our ability to leverage the experience of our management team and to attract and retain management and other key personnel;
- the capacities and performance of our suppliers, manufacturers, contract research organizations ("CROs") and other third parties over whom we have limited control;
- our ability to staff and maintain our Marina del Rey production facility under fully compliant current Good Manufacturing Practices ("cGMP");
- the actions of our competitors and success of competing drugs or other therapies that are or may become available;
- our expectations with respect to future growth and investments in our infrastructure, and our ability to effectively manage any such growth;
- the size and potential growth of the markets for any of our product candidates, and our ability to capture share in or impact the size of those markets;
- the benefits of our product candidates;
- potential market growth and market and industry trends;
- maintaining collaborations with third parties including our partnerships with the Cystic Fibrosis Foundation ("CFF"), and the U.S. Department of Defense (the "DoD");
- potential future collaborations with third parties and the potential markets and market opportunities for product candidates;
- our ability to achieve our vision, including improvements through engineering and success of clinical trials;
- our ability to meet anticipated milestones in the development and testing of the relevant product;
- our ability to be a leader in the development of phage-based therapeutics;
- the expected use of proceeds from the $16.3 million DoD grant;
- the effects of government regulation and regulatory developments, and our ability and the ability of the third parties with whom we engage to comply with applicable regulatory requirements;
- the accuracy of our estimates regarding future expenses, revenues, capital requirements and need for additional financing;
- our expectations regarding future planned expenditures;
- our ability to achieve and maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act;
- our ability to obtain, maintain and successfully enforce adequate patent and other intellectual property protection of any of our products and product candidates;
- our ability to protect our intellectual property, including pending and issued patents;
- our ability to operate our business without infringing the intellectual property rights of others;

- our ability to advance our clinical development programs;
- the effects of the ongoing conflict between the Ukraine and Russia and the recent and potential future bank failures or other geopolitical events; and
- statements of belief and any statement of assumptions underlying any of the foregoing.

In some cases, you can identify these statements by terms such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “will,” “would,” or the negative of those terms, and similar expressions. These forward-looking statements reflect our management’s beliefs and views with respect to future events and are based on estimates and assumptions as of the date of this Quarterly Report and are subject to risks and uncertainties. We discuss many of these risks in greater detail in the section hereof entitled “Risk Factors” and in our Annual Report on Form 10-K for the year ended December 31, 2022. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. 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 Quarterly 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. Given these uncertainties, you should not place undue reliance on any of the forward-looking statements included in this Quarterly Report. In addition, this Quarterly Report also contains estimates, projections, and other information concerning our industry, our business, and the markets for our product candidates, as well as data regarding market research, estimates, and forecasts prepared by our management. Information that is based on estimates, forecasts, projections, market research, or similar methodologies is inherently subject to uncertainties and actual events or circumstances may differ materially from events and circumstances reflected in this information. These statements are based upon information available to us as of the date of this Quarterly 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.

Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in any forward-looking statements, whether as a result of new information, future events, or otherwise.

This Quarterly Report includes trademarks and registered trademarks of Armata Pharmaceuticals, Inc. Products or service names of other companies mentioned in this Quarterly Report may be trademarks or registered trademarks of their respective owners.

As used in this Quarterly Report, unless the context requires otherwise, the “Company,” “we,” “us,” and “our” refer to Armata Pharmaceuticals, Inc. and its wholly owned subsidiaries.

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

Armata Pharmaceuticals, Inc.
Condensed Consolidated Balance Sheets

	September 30, 2023 (unaudited)	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	$ 23,958,000	$ 14,852,000
Prepaid expenses	4,130,000	3,664,000
Other receivables	8,497,000	8,531,000
Total current assets	36,585,000	27,047,000
Restricted cash	5,824,000	5,960,000
Property and equipment, net	9,250,000	3,617,000
Operating lease right-of-use asset	44,886,000	43,035,000
In-process research and development	10,256,000	10,256,000
Goodwill	3,490,000	3,490,000
Other assets	2,470,000	2,429,000
Total assets	$ 112,761,000	$ 95,834,000
Liabilities and shareholders' (deficit) equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 6,700,000	$ 6,034,000
Accrued compensation	1,741,000	1,828,000
Current portion of operating lease liabilities	13,443,000	17,011,000
Total current liabilities	21,884,000	24,873,000
Operating lease liabilities, net of current portion	28,162,000	31,804,000
Convertible debt	49,747,000	—
Long-term debt	22,277,000	—
Deferred tax liability	3,077,000	3,077,000
Total liabilities	125,147,000	59,754,000
Shareholders' (deficit) equity		
Common stock, $ 0.01 par value; 217,000,000 shares authorized; 36,122,591 and 36,144,706 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	361,000	361,000
Additional paid-in capital	276,225,000	275,493,000
Accumulated deficit	(288,972,000)	(239,774,000)
Total shareholders' (deficit) equity	(12,386,000)	36,080,000
Total liabilities and shareholders' (deficit) equity	$ 112,761,000	$ 95,834,000

See accompanying notes to condensed consolidated financial statements.

Armata Pharmaceuticals, Inc.
Condensed Consolidated Statements of Operations
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Grant revenue	$ 1,225,000	$ 1,338,000	$ 3,001,000	$ 4,457,000
Operating expenses				
Research and development	7,978,000	8,400,000	25,842,000	25,448,000
General and administrative	3,583,000	1,561,000	8,470,000	5,627,000
Total operating expenses	11,561,000	9,961,000	34,312,000	31,075,000
Loss from operations	(10,336,000)	(8,623,000)	(31,311,000)	(26,618,000)
Other income (expense)				
Interest income	47,000	9,000	111,000	15,000
Interest expense	(1,176,000)	—	(1,176,000)	—
Change in fair value of convertible debt	(15,833,000)	—	(12,959,000)	—
Loss on convertible debt extinguishment	(3,863,000)	—	(3,863,000)	—
Total other income (expense), net	(20,825,000)	9,000	(17,887,000)	15,000
Net loss	$(31,161,000)	$(8,614,000)	$(49,198,000)	$(26,603,000)
Per share information:				
Net loss per share, basic and diluted	$ (0.86)	$ (0.24)	$ (1.36)	$ (0.79)
Weighted average shares outstanding, basic and diluted	36,086,990	36,038,686	36,067,025	33,704,071

See accompanying notes to condensed consolidated financial statements.

Armata Pharmaceuticals, Inc.
Condensed Consolidated Statements of Shareholders' (Deficit) Equity
Three and Nine months Ended September 30, 2023 and 2022
(unaudited)

	Common Stock				
	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Total shareholders' Equity
Balances, June 30, 2022	36,128,194	$ 361,000	$ 273,776,000	$(220,846,000)	$ 53,291,000
Exercise of stock options	16,512	—	54,000	—	54,000
Share-based compensation expense	—	—	846,000	—	846,000
Net loss	—	—	—	(8,614,000)	(8,614,000)
Balances, September 30, 2022	36,144,706	$ 361,000	$ 274,676,000	$(229,460,000)	$ 45,577,000

	Common Stock				
	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Total shareholders' Equity (Deficit)
Balances, June 30, 2023	36,127,306	$ 361,000	$ 276,593,000	$(257,811,000)	$ 19,143,000
Forfeiture of restricted stock awards	(6,215)	—	—	—	—
Exercise of stock options	1,500	—	5,000	—	5,000
Share-based compensation expense	—	—	(373,000)	—	(373,000)
Net loss	—	—	—	(31,161,000)	(31,161,000)
Balances, September 30, 2023	36,122,591	$ 361,000	$ 276,225,000	$(288,972,000)	$(12,386,000)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount			
Balances, December 31, 2021	27,112,299	271,000	$ 227,983,000	$(202,857,000)	$ 25,397,000
Sale of common stock, net of issuance costs	9,000,000	90,000	44,301,000	—	44,391,000
Return of restricted stock awards for tax withholdings	(5,511)	—	(21,000)	—	(21,000)
Forfeiture of restricted stock awards	(369)	—	—	—	—
Exercise of stock options	16,512	—	54,000	—	54,000
Issuance of inducement stock awards	21,775	—	71,000	—	71,000
Share-based compensation expense	—	—	2,288,000	—	2,288,000
Net loss	—	—	—	(26,603,000)	(26,603,000)
Balances, September 30, 2022	36,144,706	$ 361,000	$ 274,676,000	$(229,460,000)	$ 45,577,000

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity (Deficit)
	Shares	Amount			
Balances, December 31, 2022	36,144,706	$ 361,000	$ 275,493,000	$(239,774,000)	$ 36,080,000
Return of restricted stock awards for tax withholdings	(13,701)	—	(18,000)	—	(18,000)
Forfeiture of restricted stock awards	(9,914)	—	—	—	—
Exercise of stock options	1,500	—	5,000	—	5,000
Share-based compensation expense	—	—	745,000	—	745,000
Net loss	—	—	—	(49,198,000)	(49,198,000)
Balances, September 30, 2023	36,122,591	$ 361,000	$ 276,225,000	$(288,972,000)	$(12,386,000)

See accompanying notes to condensed consolidated financial statements.

Armata Pharmaceuticals, Inc.
Condensed Consolidated Statements of Cash Flows
(unaudited)

	Nine Months Ended September 30,	
	2023	2022
Operating activities:		
Net loss	$(49,198,000)	$(26,603,000)
Adjustments required to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	679,000	647,000
Share-based compensation expense	745,000	2,288,000
Change in fair value of convertible debt	12,959,000	—
Non-cash interest expense	1,176,000	—
Loss on convertible debt extinguishment	3,863,000	—
Change in right-of-use asset	662,000	1,215,000
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(72,000)	(2,354,000)
Accounts payable and accrued liabilities	(321,000)	584,000
Accrued compensation	(87,000)	770,000
Operating lease liability	(9,723,000)	1,457,000
Net cash used in operating activities	(39,317,000)	(21,996,000)
Investing activities:		
Purchases of property and equipment	(5,744,000)	(2,666,000)
Net cash used in investing activities	(5,744,000)	(2,666,000)
Financing activities:		
Proceeds from issuance of convertible debt, net of issuance costs	29,101,000	—
Proceeds from issuance of long-term debt, net of issuance costs	24,925,000	—
Proceeds from sale of common stock, net of offering costs	—	44,391,000
Proceeds from exercise of stock options	5,000	125,000
Net cash provided by financing activities	54,031,000	44,516,000
Net increase in cash, cash equivalents and restricted cash	8,970,000	19,854,000
Cash, cash equivalents and restricted cash, beginning of period	20,812,000	11,488,000
Cash, cash equivalents and restricted cash, end of period	$ 29,782,000	$ 31,342,000
Supplemental disclosure of cash flow information:		
Property and equipment included in accounts payable	$ 1,047,000	$ 101,000
Right-of-use assets obtained in exchange for operating lease liability	$ 2,513,000	$ —

Reconciliation of cash, cash equivalents and restricted cash to the consolidated balance sheet:

	Nine Months Ended September 30,	
	2023	2022
Cash and cash equivalents	$ 23,958,000	$ 25,382,000
Restricted cash	5,824,000	5,960,000
Cash, cash equivalents and restricted cash	$ 29,782,000	$ 31,342,000

See accompanying notes to condensed consolidated financial statements.

Armata Pharmaceuticals, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Organization and Description of the Business

Armata Pharmaceuticals, Inc. (“Armata”) together with its subsidiaries (the “Company”), is a clinical-stage biotechnology company focused on the development of pathogen-specific bacteriophage therapeutics for the treatment of antibiotic-resistant and difficult-to-treat bacterial infections using its proprietary bacteriophage-based technology. Armata’s common stock, par value $ 0.01 per share (the “Common Stock”) is traded on the NYSE American exchange under the ticker symbol “ARMP”.

2. Liquidity and Going Concern

The Company has incurred significant operating losses since inception and has primarily relied on equity, debt and grant financing to fund its operations. As of September 30, 2023, the Company had an accumulated deficit of $ 289.0 million. The Company expects to continue to incur substantial losses, and its transition to profitability will depend on the successful development, approval and commercialization of product candidates and on the achievement of sufficient revenues to support its cost structure. The Company may never achieve profitability, and unless and until then, the Company will need to continue to raise additional capital. Management expects that the existing cash and cash equivalents of $ 24.0 million as of September 30, 2023 will be sufficient to fund its operations into the first quarter of 2024. These circumstances raise substantial doubt about the Company’s ability to continue as a going concern. The Company plans to continue to control expenses and raise additional capital through a combination of public and private equity, debt financings, strategic alliances and grant arrangements.

The Company has prepared its condensed consolidated financial statements on a going concern basis, which assumes that the Company will realize its assets and satisfy its liabilities in the normal course of business. The accompanying condensed consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the outcome of the uncertainty concerning the Company’s ability to continue as a going concern.

Recent Financing:

2023 Credit Agreement

On July 10, 2023, the Company entered into a credit and security agreement (the “Credit Agreement”) for a loan in an aggregate amount of $ 25.0 million (the “Loan”) with Innoviva Strategic Opportunities LLC (“Innoviva”), a wholly owned subsidiary of Innoviva, Inc. Innoviva Inc. is a principal shareholder and related party of the Company. The Loan bears interest at an annual rate of 14 % and matures on January 10, 2025. Principal and accrued interest are payable at maturity. Repayment of the Loan is guaranteed by the Company’s domestic subsidiaries, and the Loan is secured by substantially all of the assets of the Company and the subsidiary guarantors. See Note 8 for additional details.

2023 Convertible Credit Agreement

On January 10, 2023, the Company entered into a secured convertible credit and security agreement (the “Convertible Credit Agreement”) with Innoviva. The Convertible Credit Agreement provides for a secured term loan facility in an aggregate amount of $ 30.0 million (the “Convertible Loan”), which bears interest at a rate of 8.0 % per annum, and was scheduled to mature on January 10, 2024. Concurrently with the execution of the Credit Agreement, the Company amended certain provisions of the Convertible Credit Agreement to, among other changes, extend the term of the Convertible Loan to January 10, 2025.

Repayment of the Convertible Loan is guaranteed by the Company's domestic subsidiaries and foreign material subsidiaries, and the Convertible Loan is secured by substantially all of the assets of the Company and the subsidiary guarantors.

The Convertible Credit Agreement provides for various conversion and repayment options, including the conversion of principal and accrued interest into the shares of the Company's Common Stock upon a Qualified Financing (as defined below) and the Company's option to repay the loan prior to maturity. See Note 7 for additional details.

2022 Equity Financing

On February 9, 2022, the Company entered into a securities purchase agreement ("February 2022 Securities Purchase Agreement") to sell its Common Stock and warrants to Innoviva. Pursuant and subject to the terms and conditions of the February 2022 Securities Purchase Agreement and related agreements, Innoviva agreed to purchase 9,000,000 newly issued shares of the Company's Common Stock, at a price of $ 5.00 per share, and warrants to purchase up to 4,500,000 additional shares of Common Stock, with an exercise price of $ 5.00 per share. The stock purchases closed in two tranches. On February 9, 2022, Innoviva purchased 3,614,792 shares of common stock and warrants to purchase 1,807,396 shares of Common Stock for an aggregate purchase price of approximately $ 18.1 million. At the closing of the second tranche, following the Company's shareholders voting in favor of the transaction on March 30, 2022, Innoviva purchased 5,385,208 shares of Common Stock and warrants to purchase 2,692,604 shares of Common Stock for an aggregate purchase price of $ 26.9 million on March 31, 2022.

The Company plans to raise additional capital through equity offerings, debt financings, or other capital sources, including potential collaborations, licenses and other similar arrangements. While the Company believes this plan to raise additional funds will alleviate the conditions that raise substantial doubt about the Company's ability to continue as a going concern, these plans are not entirely within its control and cannot be assessed as being probable of occurring. The Company's ability to raise additional capital may be adversely impacted by potential worsening global economic conditions and the recent disruptions to, and volatility in, financial markets in the United States and worldwide. The Company may not be able to secure additional financing in a timely manner or on favorable terms, if at all. Furthermore, if the Company issues equity securities to raise additional funds, its existing shareholders may experience dilution, and the new equity securities may have rights, preferences and privileges senior to those of the Company's existing shareholders. If the Company raises additional funds through collaboration, licensing or other similar arrangements, it may be necessary to relinquish valuable rights to its potential products on terms that are not favorable to the Company. If the Company is unable to raise capital when needed or on attractive terms, it would be forced to delay, reduce or eliminate its research and development programs or other operations. If any of these events occur, the Company's ability to achieve the development and commercialization goals would be adversely affected.

3. Significant Accounting Policies

Basis of Presentation

The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements and accompanying notes thereto as of and for the year ended December 31, 2022 included in the Company's Form 10-K, filed with the SEC on March 16, 2023. The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial statements. In the opinion of management, the accompanying condensed consolidated financial statements include all adjustments that are of a normal and recurring nature and that are necessary for the fair presentation of the Company's financial position and the results of its operations and cash flows for the periods presented. Interim results are not necessarily indicative of results for the full year or any future period.

Any reference in the condensed consolidated financial statements to applicable guidance is meant to refer to authoritative U.S. GAAP as found in the Accounting Standards Codification ("ASC") and Accounting Standards Update ("ASU") of the Financial Accounting Standards Board ("FASB").

Significant Accounting Policies

The significant accounting policies used in preparation of the condensed consolidated financial statements for the three and nine months ended September 30, 2023 and 2022 are consistent with those discussed in Note 3 to the consolidated financial statements included in the Company's Form 10-K for the year ended December 31, 2022, filed with the SEC on March 16, 2023, except as noted below and within the "Recently Adopted Accounting Pronouncements" section.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of expenses during the reporting period. On an ongoing basis, the Company evaluates estimates and assumptions, including but not limited to those related to the convertible debt, stock-based compensation expense, accruals for research and development costs, lease liabilities and right of use assets, the valuation of deferred tax assets, valuation of uncertain income tax positions, impairment of goodwill and intangible assets and impairment of long-lived assets. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable 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 materially from those estimates.

Basic and Diluted Net Loss per Share

Net earnings or loss per share ("EPS") is calculated in accordance with the applicable accounting guidance provided in ASC 260, *Earnings per Share.* The Company uses the two-class method for the computation and presentation of net income (loss) per common share attributable to common shareholders. The two-class method is an earnings allocation formula that calculates basic and diluted net income (loss) per common share for each class of common stock separately based on dividends declared and participation rights in undistributed earnings as if all such earnings had been distributed during the period. Under the two-class method, warrants issued to Innoviva are assumed to participate in undistributed earnings on an as-exercised basis, in accordance with the warrant agreements. Undistributed net losses are allocated entirely to common shareholders since the participating security has no contractual obligation to share in the losses.

Accordingly, basic income or loss per share is calculated by dividing net income or loss by the weighted-average number of common shares outstanding, or using the two-class method, whichever is more dilutive. Diluted net income or loss per share is computed using the more dilutive of the treasury stock method which reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted to common stock, or the two-class method.

The calculation of diluted loss per share requires that, to the extent the average market price of the underlying shares for the reporting period exceeds the exercise price of liability classified warrants, and the presumed exercise of such securities are dilutive to net loss per share for the period, an adjustment to net loss available to common shareholders used in the calculation is required to remove the change in fair value of the warrants from the numerator for the period. Likewise, an adjustment to the denominator is required to reflect the related dilutive shares, if any, under the treasury stock method.

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments.* The standard amends the impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. For available-for-sale debt securities, entities will be required to recognize an allowance for credit losses rather than a reduction in carrying value of the asset. Entities will no longer be permitted to consider the length of time that fair value has been less than amortized cost when evaluating when credit losses should be recognized. This new guidance became effective for calendar-year smaller reporting public entities in the first quarter of 2023. The Company adopted this ASU as of January 1, 2023 which did not have an impact on its consolidated financial statements or related disclosures.

Recent Accounting Pronouncements Not Yet Adopted

In August 2020, the FASB issued ASU 2020-06, *Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40)* ("ASU 2020-06"). ASU 2020-06 eliminates the beneficial conversion and cash conversion accounting models for convertible instruments. It also amends the accounting for certain contracts in an entity's own equity that are currently accounted for as derivatives because of specific settlement provisions. In addition, ASU 2020-06 modifies how particular convertible instruments and certain contracts that may be settled in cash or shares impact the diluted EPS computation. The amendments in ASU 2020-06 are effective for the Company as of January 1, 2024. Early adoption is permitted. The Company is currently evaluating the impact of ASU 2020-06 on its financial statements and does not expect the adoption of this ASU to have a material impact on the Company's consolidated financial statements.

4. Fair Value Measurements

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following three levels:

- *Level 1:* Observable inputs such as unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- *Level 2:* Inputs (other than quoted prices included in Level 1) that are either directly or indirectly observable for the asset or liability. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- *Level 3:* Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company's cash equivalents include investments in a money market fund of $ 0.5 million as of September 30, 2023 and December 31, 2022, which are carried at fair value and represent Level 1 financial instruments under the fair value hierarchy.

The Company's Convertible Loan (Note 7) is measured at fair value and remeasured at each measurement period, with changes in fair value recorded as other income (expense) in the condensed consolidated statement of operations. The Company estimates the fair value of its Convertible Loan using a weighted probability model of various debt settlement scenarios during its term discounted to the reporting date. Conversion option scenarios are valued using option pricing models with significant assumptions and estimates such as volatility, expected term and risk-free interest rates, which are Level 3 fair value inputs unobservable from active markets.

The following table presents the Company's fair value measurements using Level 3 inputs during the three and nine months ended September 30, 2023.

	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2023
Discount rate	22.38 %- 42.49 %	22.38 %- 45.88 %
Probabilities of settlement scenarios	0 %- 85 %	0 %- 85 %
Volatility	106.7 %- 123.6 %	101.1 %- 123.6 %
Expected term	0.2 - 1.5 Year	0.2 - 1.5 Year
Risk-free rate	4.97 %- 5.39 %	4.62 %- 5.39 %

The following table presents a summary of the changes in the fair value of the Company's Level 3 financial liabilities (in thousands):

	Convertible Loan Pre Modification	Convertible Loan Post Modification
Balance at December 31, 2022	$ —	$ —
Net issuance of the Convertible Loan (1)	29,226,000	—
Initial recognition of modified Convertible Loan (1)	—	35,031,000
Change in fair value	(1,757,000)	14,716,000
Amount exchanged (2)	(31,332,000)	—
Loss on extinguishment	3,863,000	—
Balance at September 30, 2023	$ —	$ 49,747,000

(1) The Convertible Loan before and after amendment was carried at fair value in the condensed consolidated balance sheets. As such, the principal and accrued interest were included in the determination of fair value. The related debt issuance costs were expensed.
(2) The Company concluded that the amendment to the Convertible Loan was an extinguishment for accounting purposes and the amount exchanged was the relative fair value allocated to the Convertible Loan at the extinguishment date. See Note 7 for further details.

5. Net Loss per Share

The following outstanding securities as of September 30, 2023 and 2022 have been excluded from the computation of diluted weighted average shares outstanding, as they would have been anti-dilutive:

	September 30, 2023	September 30, 2022
Options	2,913,300	3,385,162
Unvested restricted stock units	30,000	30,000
Restricted stock awards	34,851	99,666
Warrants	20,549,338	20,549,338
Total	23,527,489	24,064,166

6. Balance Sheet Details

Property and Equipment

Property and equipment as of September 30, 2023 and December 31, 2022 consisted of the following:

	September 30, 2023	December 31, 2022
Laboratory and manufacturing equipment	$ 16,317,000	$ 10,007,000
Furniture and fixtures	817,000	817,000
Office and computer equipment	438,000	449,000
Leasehold improvements	3,447,000	3,447,000
Total	21,019,000	14,720,000
Less: accumulated depreciation and amortization	(11,769,000)	(11,103,000)
Property and equipment, net	$ 9,250,000	$ 3,617,000

Depreciation and amortization expense totaled $ 0.2 million for each of the three months ended September 30, 2023 and 2022, and $ 0.7 million and $ 0.6 million for the nine months ended September 30, 2023 and 2022, respectively. Construction in progress and fixed assets not in use were $ 9.3 million and $ 1.0 million as of September 30, 2023 and December 31, 2022, respectively, and are included in the laboratory and manufacturing equipment in the table above. These assets are not depreciated until they are placed in service.

Other receivables

Other receivables as of September 30, 2023 and December 31, 2022 consisted of the following:

	September 30, 2023	December 31, 2022
Tenant improvement allowance receivable (Note 12)	$ 7,272,000	$ 6,595,000
Awards receivable	1,225,000	1,936,000
	$ 8,497,000	$ 8,531,000

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities as of September 30, 2023 and December 31, 2022 consisted of the following:

	September 30, 2023	December 31, 2022
Accounts payable	$ 3,772,000	$ 1,678,000
Accrued clinical trial expenses	1,879,000	2,650,000
Other accrued expenses	1,049,000	1,706,000
	$ 6,700,000	$ 6,034,000

7. Convertible Debt

On January 10, 2023, the Company received the Convertible Loan in the aggregated amount of $ 30.0 million from Innoviva pursuant to the Convertible Credit Agreement. The Convertible Loan bears interest at a rate of 8.0 % per annum and was scheduled to mature on January 10, 2024. The Convertible Credit Agreement was amended on July 10, 2023, in connection with the Credit Agreement with Innoviva, to, among other changes, extend the maturity of the Convertible Loan to January 10, 2025. The Convertible Loan principal and accrued interest are payable at maturity. Repayment of the Convertible Loan is guaranteed by the Company's domestic subsidiaries and foreign material subsidiaries, and the Convertible Loan is secured by substantially all of the assets of the Company and the subsidiary guarantors.

The Convertible Credit Agreement provides that if there is a financing from new investors of at least $ 30.0 million (a "Qualified Financing"), the outstanding principal amount of and all accrued and unpaid interest on the Convertible Loan shall be converted into shares of the Company's Common Stock, at a price per share equal to a 15.0 % discount to the lowest price per share for Common Stock paid by investors in such Qualified Financing. The Convertible Credit Agreement also required the Company to file a registration statement for the resale of all securities issued to the lender in connection with any conversion under the Convertible Credit Agreement, which the Company originally filed on February 13, 2023 and which was declared effective by the SEC on April 6, 2023. The Convertible Credit Agreement also confers upon the lender the option to convert any outstanding Convertible Loan amount, including all accrued and unpaid interest thereon, at the lender's option, into shares of Common Stock at a price per share equal to the greater of book value or market value per share of Common Stock on the date immediately preceding the effective date of the Convertible Credit Agreement, which was $ 1.52 (as may be appropriately adjusted for any stock split, combination or similar act).

The Company evaluated authoritative guidance for accounting for the Convertible Loan and concluded that the Convertible Loan should be accounted for at fair value under ASC 480, Distinguish Liabilities from Equity, due to the fact that the Convertible Loan will predominately be settled with the Company's Common Stock. Consequently, the Company recorded the Convertible Loan in its entirety at fair value on its condensed consolidated balance sheet, with changes in fair value recorded as other income (expenses) in the condensed consolidated statements of operations during each reporting period.

On July 10, 2023, in connection with the Credit Agreement with Innoviva, as discussed below, the Company amended the terms of the Convertible Credit Agreement, to, among other changes, extend the maturity of the Convertible Loan to January 10, 2025. The Company concluded that the amendment is an extinguishment for accounting purposes. The Company recognized a $ 1.8 million gain as the change in fair value of the Convertible Loan before the extinguishment date. The Company estimated fair value of the combined transaction, the Loan and the Convertible Loan, before and after modification and calculated an extinguishment loss of $ 3.9 million, which was recognized as other income (expense) in the condensed consolidated statement of operations for the three months ended September 30, 2023. The Company recognized a $ 14.7 million loss as the change in fair value of the Convertible Loan from July 10, 2023, the modification date, to September 30, 2023.

8. Long-Term Debt

On July 10, 2023, the Company entered into the Credit Agreement with Innoviva. The Credit Agreement provides for a secured term loan facility in an aggregate amount of $ 25.0 million at an interest rate of 14.0 % per annum and has a maturity date of January 10, 2025. Principal and accrued interest are payable at maturity. Repayment of the Loan is guaranteed by the Company's domestic subsidiaries, and the Loan is secured by substantially all of the assets of the Company and the subsidiary guarantors.

The Credit Agreement contains customary affirmative and negative covenants and representations and warranties, including financial reporting obligations and certain limitations on indebtedness, liens, investments, distributions (including dividends), collateral, investments, mergers or acquisitions and fundamental corporate changes. The Credit Agreement also includes customary events of default, including payment defaults, breaches of provisions under the loan documents, certain losses or impairment of collateral and related security interests, the occurrence of certain events that could reasonably be expected to have a "material adverse effect" as set forth in the Credit Agreement, certain bankruptcy or insolvency events, and a material deviation from the Company's operating budget.

The Loan was initially recognized at fair value of $ 21.2 million and subsequently recognized at the amortized cost net of debt issuance costs and debt discount. Debt issuance costs and debt discount in the amounts of $ 0.1 million and $ 3.8 million, respectively, are amortized using the effective interest method to interest expenses over the term of the Loan. The Loan's annual effective interest rate was 27.31 % as of September 30, 2023.

9. Shareholders' Equity

Private Investment

February 2022 Private Placement

On February 9, 2022, the Company entered into the February 2022 Securities Purchase Agreement to sell its Common Stock and warrants to Innoviva. Pursuant and subject to the terms and conditions of the February 2022 Securities Purchase Agreement and related agreements, Innoviva agreed to purchase 9,000,000 newly issued shares of the Company's Common Stock, at a price of $ 5.00 per share, and warrants to purchase up to 4,500,000 additional shares of Common Stock, with an exercise price of $ 5.00 per share. The stock purchases occurred in two tranches. On February 9, 2022, Innoviva purchased 3,614,792 shares of Common Stock and warrants to purchase 1,807,396 shares of Common Stock for an aggregate purchase price of approximately $ 18.1 million. On March 31, 2022, upon the Company's shareholders voting in favor of the transaction, Innoviva purchased 5,385,208 shares of Common Stock and warrants to purchase 2,692,604 shares of Common Stock for an aggregate purchase price of $ 26.9 million.

Warrants issued to Innoviva expire in five years from the respective issuance date. The Company reviewed the authoritative accounting guidance and determined that the warrants meet the criteria to be accounted for as permanent equity.

Warrants

On September 30, 2023, outstanding warrants to purchase shares of Common Stock are as follows:

Shares Underlying Outstanding Warrants		Exercise Price	Expiration Date
1,183,491	$	5.60	October 16, 2023
993,139	$	2.87	February 11, 2025
7,717,661	$	2.87	March 27, 2025
1,867,912	$	3.25	January 26, 2026
4,285,935	$	3.25	March 16, 2026
1,807,396	$	5.00	February 8, 2027
2,692,604	$	5.00	March 30, 2027
1,200	$	1,680.00	None
20,549,338			

10. Equity Incentive Plans

Stock Award Plans

The Company maintains a 2016 Equity Incentive Plan (the "2016 Plan"), which provides for the issuance of incentive share awards in the form of non-qualified and incentive stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards and performance-based stock awards. The awards may be granted by the Company's Board of Directors to its employees, directors and officers and to consultants, agents, advisors and independent contractors who provide services to the Company or to a subsidiary of the Company. The exercise price for stock options must not be less than the fair market value of the underlying shares on the date of grant. Stock options expire no later than ten years from the date of grant and generally vest and typically become exercisable over a four-year period following the date of grant. Under the 2016 Plan, the number of shares authorized for issuance automatically increases annually beginning January 1, 2017 and through January 1, 2026.

The Company has issued restricted stock awards ("RSAs") under certain legacy option plans that generally vest two to four years based on service conditions. The RSAs began vesting in May 2019, and no additional awards will be issued under this legacy plan.

Share-based Compensation

The Company estimates the fair value of stock options with performance and service conditions using the Black-Scholes valuation model ("Black-Scholes"). Compensation expense related to stock options granted is measured at the grant date based on the estimated fair value of the award and is recognized on the accelerated attribution method over the requisite service period.

The assumptions used in the Black-Scholes model during the nine months ended September 30, 2023 and 2022 are presented below.

	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Risk-free interest rate	5.49 %- 5.54 %	3.3 %- 3.4 %	3.54 % - 5.54 %	2.65 % - 3.52 %
Expected volatility	75.4 %- 116.96 %	81.81 %- 85.0 %	75.40 % - 116.96 %	81.81 % - 85.67 %
Expected term (in years)	0.12 - 0.6	5.5 - 6.3	0.12 - 7.00	5.50 - 7.00
Expected dividend yield	0 %	0 %	0 %	0 %

The risk-free interest rate is based on the U.S. Treasury yield for a period consistent with the expected term of the option in effect at the time of the grant. Expected volatility is based on the historical volatility of the Company and peer companies' common stock. The expected term represents the period that the Company expects its stock options to be outstanding. The expected term assumption is estimated using the simplified method set forth in the SEC Staff Accounting Bulletin 110, which is the mid-point between the option vesting date and the expiration date. For stock options granted to parties other than employees or directors, the Company elects, on a grant-by-grant basis, to use the expected term or the contractual term of the option award. The Company has never declared or paid dividends on its Common Stock and has no plans to do so in the foreseeable future. Forfeitures are recognized as a reduction of share-based compensation expense as they occur.

In July 2023, in connection with the resignation of its chief executive officer, the Company amended the terms of certain of his awards. As a result, the Company reversed $ 0.6 million previously recognized stock-based compensation expense related to his forfeited and unvested awards.

The tables below summarize the total share-based compensation expense (reversal) included in the Company's consolidated statements of operations for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Research and development	$ 144,000	$ 570,000	$ 948,000	$ 1,249,000
General and administrative	(517,000)	276,000	(203,000)	1,039,000
Total share-based compensation	$ (373,000)	$ 846,000	$ 745,000	$ 2,288,000

Stock option transactions during the nine months ended September 30, 2023 are presented below:

	Options Outstanding			
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2022	3,352,803	$ 5.32	7.8	
Granted	17,500	2.36		
Exercised	(1,500)	3.15		$ 1,000
Forfeited/Cancelled	(455,503)	5.16		1,000
Outstanding at September 30, 2023	2,913,300	$ 5.33	5.8	$ 45,000
Vested and expected to vest at September 30, 2023	2,913,300	$ 5.33	5.8	$ 45,000
Exercisable at September 30, 2023	2,136,125	$ 5.53	5.2	$ —

Restricted stock award transactions under the Assumed 2016 Plan and restricted stock unit award transactions during the nine months ended September 30, 2023 are presented below:

	Shares	Weighted Avg Grant Date Fair Value
Outstanding at December 31, 2022	129,666	$ 27.11
Forfeited/Cancelled	(9,914)	39.54
Vested and Issued as Common Stock	(54,901)	29.97
Outstanding at September 30, 2023	64,851	$ 22.79

The aggregate intrinsic value of options at September 30, 2023 is based on the Company's closing stock price on that date of $ 3.00 per share. As of September 30, 2023, there was $ 1.1 million of total unrecognized compensation expense related to unvested stock options, restricted stock awards and restricted stock units, which the Company expects to recognize over the weighted average remaining period of approximately 1.71 years.

Shares Reserved for Future Issuance

As of September 30, 2023, the Company had reserved shares of its Common Stock for future issuance as follows:

	Shares Reserved
Stock options outstanding	2,913,300
Unvested restricted stock units	30,000
Restricted stock awards	34,851
Employee stock purchase plan	9,748
Available for future grants under the 2016 Plan	2,826,291
Warrants outstanding	20,549,338
Total shares reserved	26,363,528

11. Income Taxes

The Company did no t record a provision or benefit for income taxes during the three and nine months ended September 30, 2023 and 2022. As of both September 30, 2023 and December 31, 2022, the Company continues to maintain a full valuation allowance against all of its deferred tax assets in light of its history of cumulative losses.

12. Commitments and Contingencies

Operating Leases

The Company leases office and research and development space under a non-cancelable operating lease in Marina del Rey, CA. The lease commenced on January 1, 2012 and in April 2020, the Company amended the lease ("2020 Lease Amendment") which, among other things, extended the lease term through December 31, 2031. Base annual rent for calendar year 2022, the first year under the Lease Amendment extended term, was approximately $ 1.9 million, and base rent increases by 3 % annually and will be $ 2.5 million by the end of the amended term. In addition, the Company received a six-month rent abatement in 2020. The Company did not use an allowance for tenant improvements of $ 0.8 million during 2021, which will offset rent payments as prescribed by the 2020 Lease Amendment starting in 2022. In accordance with authoritative guidance, the Company re-measured the lease liability in April 2020 to be $ 11.7 million and related right of use asset of $ 11.0 million as of the Lease Amendment date with an incremental borrowing rate of 12.89 %.

Concurrent with the Company's execution of the 2020 Lease Amendment, an irrevocable letter of credit in the amount of $ 1.2 million was delivered to the landlord. Starting on February 1, 2022, and each year thereafter, the letter of credit will be reduced by 20 % of the then outstanding amount. As of September 30, 2023, the letter of credit was $ 0.7 million.

On October 28, 2021, the Company entered into a lease for office and research and development space under a non-cancellable lease in Los Angeles, CA (the "2021 Lease"). The 2021 Lease payment start date was May 1, 2022 and the total lease term is for 16 years and runs through 2038. Monthly rent for 2022 and 2023 are fully or partially abated while the lessor and the Company complete planned tenant improvements to the facility. Base monthly rent will be approximately $ 0.25 million in 2024. The Company is entitled to receive an allowance for tenant improvements of up to $ 7.3 million, and the Company is responsible for construction costs over such allowance. Out of pocket expenses to be incurred by the Company are considered noncash lease payments, and included in the lease liability and right-of-use asset when the amount can be reasonably estimated. As of November 16, 2022, the Company finalized the budget to complete the construction of the 2021 Lease. Accordingly, the Company re-measured the lease liability and related right-of-use asset as of November 30, 2022, using an incremental borrowing rate of 11.8 %. The re-measured lease liability of the 2021 Lease as of November 16, 2022 was $ 37.0 million, and the related right of use asset was $ 33.8 million.

During the nine months ended September 30, 2023, the budget was modified and the Company re-measured the lease liability. As a result, the lease liability and related right-of-use asset increased by approximately $ 2.5 million, using an incremental borrowing rate of 14.27 %.

In connection with the 2021 Lease, the Company delivered an irrevocable standby letter of credit in the total amount of $ 5.0 million to the landlord in 2022.

Legal Proceedings

From time to time, the Company may be involved in disputes, including litigation, relating to claims arising out of operations in the normal course of business. Any of these claims could subject the Company to costly legal expenses and, while management generally believes that there is adequate insurance to cover many different types of liabilities, the Company's insurance carriers may deny coverage or policy limits may be inadequate to fully satisfy any damage awards or settlements. If this were to happen, the payment of any such awards could have a material adverse effect on the Company's consolidated results of operations and financial position. Additionally, any such claims, whether or not successful, could damage the Company's reputation and business. The Company is currently not a party to any legal proceedings, the adverse outcome of which, in management's opinion, individually or in the aggregate, would have a material adverse effect on our consolidated results of operations or financial position.

13. Grant and Awards

MTEC Grant

On June 15, 2020, the Company entered into a Research Project Award agreement (the "MTEC Agreement") with the Medical Technology Enterprise Consortium ("MTEC"), pursuant to which the Company received a $ 15.0 million grant and entered into a three-year program administered by the U.S. Department of Defense through MTEC managed by the Naval Medical Research Command with funding from the Defense Health Agency and Joint Warfighter Medical Research Program. On September 29, 2022, the MTEC Agreement was modified to increase the total award by $ 1.3 million to $ 16.3 million and extend the term into the third quarter of 2024. The MTEC funds are to partially fund a Phase 1b/2a, randomized, double-blind, placebo-controlled, dose escalation clinical study of the Company's therapeutic phage-based candidate, AP-SA02, for the treatment of complicated *Staphylococcus aureus* bacteremia infections. The MTEC Agreement specifies that the grant will be paid to the Company over the term of the award through a cost reimbursable model, based on agreed upon cost share percentages, and the grant money received is not refundable to MTEC.

Upon license or commercialization of intellectual property developed with the funding from the MTEC Agreement, additional fees will be due to MTEC. The Company will elect whether to (a) pay a fixed royalty amount, which is subject to a cap based upon total funding received, or (b) pay an additional assessment fee, which would also be subject to a cap based upon a percentage of total funding received.

The MTEC Agreement is effective through October 30, 2024. The MTEC Agreement may be terminated in whole or in part, 30 calendar days following written notice from the Company to MTEC. In addition, MTEC has the right to terminate the MTEC Agreement upon material breach by the Company.

The Company determined that the MTEC Agreement is not in the scope of ASC 808 or ASC 606. Applying ASC 606 by analogy the Company recognizes proceeds received under the MTEC Agreement as grant revenue in the statement of operations when related costs are incurred. The Company recognized $ 1.2 million and $ 3.0 million in grant revenue from the MTEC Agreement during the three and nine months ended September 30, 2023, respectively. The Company recognized $ 1.3 million and $ 4.5 million in grant revenue from the MTEC Agreement during the three and nine months ended September 30, 2022, respectively. As of September 30, 2023 and December 31, 2022, the Company had $ 1.0 million and $ 1.6 million as awards receivable from MTEC, respectively.

CFF Therapeutics Development Award

On March 13, 2020, the Company entered into an award agreement (the "Award Agreement") with CFF, pursuant to which the Company received a Therapeutics Development Award of up to $ 5.0 million (the "CFF Award"). The CFF Award will be used to fund a portion of the Company's Phase 1b/2a clinical trial of the *Pseudomonas aeruginosa* ("*P. aeruginosa*") phage candidate, AP-PA02, as a treatment for *Pseudomonas* airway infections in people with cystic fibrosis ("CF").

The first payment under the Award Agreement, in the amount of $ 1.0 million, became due upon signing the Award Agreement and was received in April 2020. The remainder of the CFF Award is payable to the Company incrementally in installments upon the achievement of certain milestones related to the development program and progress of the Phase 1b/2a clinical trial of AP-PA02, as set forth in the Award Agreement.

If the Company ceases to use commercially reasonable efforts directed to the development of AP-PA02, or any other Product (as defined in the Award Agreement), for a period of 360 days (an "Interruption") and fails to resume the development of the Product after receiving from CFF notice of an Interruption, then the Company must either repay the amount of the CFF Award actually received by the Company, plus interest, or grant to CFF (1) an exclusive (even as to the Company), worldwide, perpetual, sublicensable license under technology developed under the Award Agreement that covers the Product for use in treating infections in CF patients (the "CF Field"), and (2) a non-exclusive, worldwide, perpetual, sublicensable license under certain background intellectual property covering the Product, to the extent necessary to commercialize the Product in the CF Field.

Upon commercialization by the Company of any Product, the Company will owe a fixed royalty amount to CFF, which is to be paid in installments determined, in part, based on commercial sales volumes of the Product. The Company will be obligated to make an additional fixed royalty payment upon achieving specified sales milestones. The Company may also be obligated to make a payment to CFF if the Company transfers, sells or licenses the Product in the CF Field, or if the Company enters into a change of control transaction.

The term of the Award Agreement commenced on March 10, 2020 and expires on the earlier of the date on which the Company has paid CFF all of the fixed royalty payments set forth therein, the effective date of any license granted to CFF following an Interruption, or upon earlier termination of the Award Agreement. Either CFF or the Company may terminate the Award Agreement for cause, which includes the Company's material failure to achieve certain development milestones. The Company's payment obligations survive the termination of the Award Agreement.

The Company concluded that the CFF Award is in the scope of ASC 808. Accordingly, as discussed in Note 3, the Company recognizes the award upon achievement of certain milestones as credits to research and development expenses. No credits to research and development expenses were recognized during the three and nine months ended September 30, 2023. During the three and nine months ended September 30, 2022, the Company recognized $ 0.5 million in credits to research and development expenses related to the CFF Award. In addition, the Company concluded under the guidance in ASC 730 that it does not have an obligation to repay funds received once related research and development expenses are incurred.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes included in this Quarterly Report, and our audited financial statements and notes thereto as of and for the year ended December 31, 2022 included in our Annual Report on Form 10-K filed on March 16, 2023 with the U.S. Securities and Exchange Commission (the "SEC").

Our common stock, par value $0.01 per share (the "Common Stock") is traded on the NYSE American exchange under the symbol "ARMP." We are currently headquartered in Los Angeles, CA, and we have a research and development facility for product development to support advancing phage products from the bench to the clinic. In addition to microbiology, synthetic biology, formulation, chemistry and analytical laboratories, the facility is equipped with two licensed current good manufacturing practice ("cGMP") drug manufacturing suites enabling the production, testing and release of clinical trial material.

Statements contained in this Quarterly Report that are not statements of historical fact are forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Such forward-looking statements include, without limitation, statements concerning product development plans, commercialization of our products, the expected market opportunity for our products, the use of bacteriophages and synthetic phages to kill bacterial pathogens, having resources sufficient to fund our operations into the third quarter of 2023, future funding sources, general and administrative expenses, clinical trial and other research and development expenses, costs of manufacturing, costs relating to our intellectual property, capital expenditures, the expected benefits of our targeted phage therapies strategy, the potential market for our products, tax credits and carry-forwards, and litigation-related matters. Words such as "believe," "anticipate," "plan," "expect," "intend," "will," "goal," "potential" and similar expressions are intended to identify forward-looking statements, though not all forward-looking statements necessarily contain these identifying words. These statements are subject to risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022, filed on March 16, 2023 with the SEC, and under Item 1A, "Risk Factors" and elsewhere in this Quarterly Report. These forward-looking statements speak only as of the date on which they were made, and we undertake no obligation to update any forward-looking statements.

Overview

We are a clinical-stage biotechnology company focused on the development of pathogen-specific bacteriophage therapeutics for the treatment of antibiotic-resistant and difficult-to-treat acute and chronic bacterial infections using our proprietary bacteriophage-based technology. Bacteriophages or "phages" have a powerful and highly differentiated mechanism of action that enables binding to and killing specific bacteria, including those forming biofilms, in contrast to traditional broad-spectrum antibiotics. We believe that phages represent a promising approach to treat bacterial infections, especially those that have developed resistance to current standard of care therapies, including the so-called multidrug-resistant or "superbug" strains of bacteria. The increasing rates of bacterial resistance to all current therapies is a significant health security and healthcare threat. We are a leading developer of phage therapeutics administered intravenously as well as locally, and are uniquely positioned to address the growing worldwide threat of antibiotic-resistant bacterial infections.

We are combining our proprietary approach and unique purification procedures and expertise in identifying, characterizing and developing both naturally-occurring and engineered (synthetic) bacteriophages with our proprietary phage-specific cGMP capabilities to advance a broad pipeline of high-quality multi-bacteriophage product candidates that can be tolerated no matter the route of deliverer from intravenously, topically and inhaled.

We are developing and advancing the clinical phage candidate, AP-PA02, for *Pseudomonas aeruginosa* (“*P. aeruginosa*”). On October 14, 2020, we received the approval to proceed from the FDA for our IND application for AP-PA02-101, which was a Phase 1b/2a, multicenter, double-blind, randomized, placebo-controlled, single ascending dose (“SAD”) and multiple ascending dose (“MAD”) clinical trial to evaluate the safety and tolerability of inhaled AP-PA02 in subjects with cystic fibrosis (“CF”) and chronic pulmonary *P. aeruginosa* infection. In the first quarter of 2023, Armata announced positive topline results from the completed “SWARM-*P.a.*” study. Data indicated that multiple days of inhaled AP-PA02 was well-tolerated with a treatment emergent adverse event (TEAE) profile similar to placebo. Only mild, self-limited adverse events possibly related to study drug were reported in a few CF subjects. Pharmacokinetic findings confirm that AP-PA02 can be effectively delivered to the lungs through nebulization with minimal systemic exposure. SAD and MAD resulted in a proportional increase in exposure as measured in induced sputum. Additionally, achieved exposures were relatively consistent from subject to subject. Bacterial levels of *P. aeruginosa* in the sputum were measured at several time points and compared to baseline levels prior to study drug administration. Trends suggest improvement in bacterial load reduction for subjects treated with AP-PA02 at end of treatment as compared to placebo after ten days of dosing. Pharmacokinetic/Pharmacodynamic analysis indicates significant microbiological impacts in the subjects with the highest exposures. Importantly, for subjects with the highest average exposure of susceptible phage, there was durability of approximately two-log reduction from end of treatment to end of study (day 28 post dose). This study is supported by the Cystic Fibrosis Foundation (“CFF”), which granted Armata a Therapeutics Development Award of up to $5.0 million.

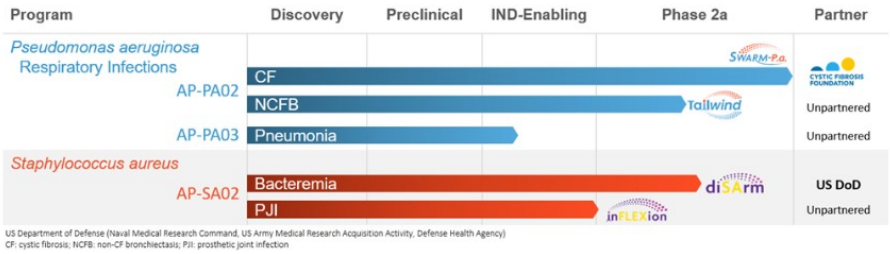
A key advantage of Armata’s phage manufacturing expertise is the purity profiles of our phage products, including AP-SA02, our phage product candidate for Staphylococcus aureus (“S. aureus”); this has enabled Armata to pursue treatment of complicated S. aureus bacteremia, where repetitive intravenous dosing is required. On June 15, 2020, we entered into a Research Project Award agreement (the “MTEC Agreement”) with the Medical Technology Enterprise Consortium (“MTEC”), pursuant to which we received a $15.0 million grant and entered into a three-year program administered by the U.S. Department of Defense (the “DoD”) through MTEC managed by the Naval Medical Research Command with funding from the Defense Health Agency and Joint Warfighter Medical Research Program. On September 29, 2022, the MTEC Agreement was modified to increase the total award by $1.3 million to $16.3 million and extend the term into the third quarter of 2024. The MTEC funds are to partially fund a Phase 1b/2a, multi-center, randomized, double-blind, placebo- controlled dose escalation study that will assess the safety, tolerability, and efficacy of our phage-based candidate, AP-SA02, for the treatment of adults with complicated S. aureus bacteremia. On November 17, 2021, Armata announced that it had received from the FDA the approval to proceed for our Investigational New Drug application for AP-SA02, and in May 2022, we dosed the first patient in the Phase 1b/2a trial (“diSArm” study). The Phase 1b part of the study has been fully enrolled as planned. Initiation of the Phase 2a portion of the study followed Data Review Committee (DRC) review of the positive safety and tolerability data from the Phase 1b portion of the study. On September 26, 2023, Armata announced that the first patient has been dosed in the Phase 2a portion of the diSArm study. Armata continues to accelerate the enrollment of patients into the Phase 2a portion of the study, which we expect will lead to a potential pivotal trial in the fourth quarter of 2024 or in the first quarter of 2025.

On February 22, 2022, Armata announced that it had received from the FDA the approval to proceed for our IND application for AP-PA02, in a second indication, NCFB (non-cystic fibrosis bronchiectasis). We initiated a Phase 2 trial (“Tail*wind*”) in NCFB in 2022 and reported first patient dosing in the first quarter of 2023. The “Tail *wind*” study is a Phase 2, multicenter, double-blind, randomized, placebo-controlled study to evaluate the safety, phage kinetics, and efficacy of inhaled AP-PA02 phage therapeutic in subjects with NCFB and chronic pulmonary *Pseudomonas aeruginosa* infection.

On August 1, 2022, Armata announced that it had received from the FDA the approval to proceed for our IND application for AP-SA02, in a second indication, PJI (periprosthetic joint infection). With progress made in the Phase 1b/2a bacteremia study, we are proceeding with the second application. We are advancing start-up activities for a Phase 1b/2a trial that will assess the safety and tolerability of intravenous and intra-articular AP-SA02 as an adjunct to standard of care antibiotics in adults undergoing debridement, antibiotics, and implant retention for the treatment of periprosthetic joint infections caused by *S. aureus*.

We are committed to conducting randomized controlled clinical trials required for FDA approval in order to move toward the commercialization of alternatives to traditional antibiotics and provide a potential method of treating patients suffering from drug-resistant and difficult-to-treat bacterial infections.

The following chart summarizes the status of our phage product candidate development programs and partners.



We have incurred net losses since our inception and our operations to date have been primarily limited to research and development and raising capital. As of September 30, 2023, we had an accumulated deficit of $289.0 million. We anticipate that a substantial portion of our capital resources and efforts in the foreseeable future will be focused on completing the development and seeking to obtain regulatory approval of our product candidates.

We currently expect to use our existing cash and cash equivalents for the focused research and development of our current product candidates and for working capital and other general corporate purposes. We expect to continue to incur significant and increasing operating losses at least for the next several years. We do not expect to generate product revenue unless and until we successfully complete development and obtain marketing approval for at least one of our product candidates.

We may also use a portion of our existing cash and cash equivalents for the potential acquisition of, or investment in, product candidates, technologies, formulations or companies that complement our business, although we have no current understandings, commitments or agreements to do so. Our existing cash and cash equivalents will not be sufficient to enable us to complete all necessary development of any potential product candidates. Accordingly, we will be required to obtain further funding through one or more other public or private equity offerings, debt financings, collaboration, strategic financing, grants or government contract awards, licensing arrangements or other sources. Our ability to raise additional capital may be adversely impacted by potential worsening global economic conditions and potential disruptions to, and volatility in, financial markets in the United States and worldwide. Adequate additional funding may not be available to us on acceptable terms, or at all. If we are unable to raise capital when needed or on acceptable terms, we may be required to defer, reduce or eliminate significant planned expenditures, restructure, curtail or eliminate some or all of our development programs or other operations, dispose of assets, enter into arrangements that may require us to relinquish rights to certain of our product candidates, technologies or potential markets, file for bankruptcy or cease operations altogether. Any of these events could have a material adverse effect on our business, financial condition and results of operations and result in a loss of investment by our shareholders.

Recent Events

2023 Credit Agreement

On July 10, 2023, we entered into, as borrower, a credit and security agreement (the “Credit Agreement”) with Innoviva Strategic Opportunities LLC (“Innoviva”), a wholly owned subsidiary of Innoviva, Inc. Innoviva, Inc. is a principal shareholder and related party of the Company. The Credit Agreement provides for a secured term loan facility in an aggregate amount of $25.0 million (the “Loan”) at an interest rate of 14.0% per annum and has a maturity date of January 10, 2025. Principal and accrued interest are payable at maturity. Repayment of the Loan is guaranteed by our domestic subsidiaries, and the Loan is secured by substantially all of our assets and our subsidiary guarantors.

The Credit Agreement contains customary affirmative and negative covenants and representations and warranties, including financial reporting obligations and certain limitations on indebtedness, liens, investments, distributions (including dividends), collateral, investments, mergers or acquisitions and fundamental corporate changes. The Credit Agreement also includes customary events of default, including payment defaults, breaches of provisions under the loan documents, certain losses or impairment of collateral and related security interests, the occurrence of certain events that could reasonably be expected to have a "material adverse effect" as set forth in the Credit Agreement, certain bankruptcy or insolvency events, and a material deviation from our operating budget.

The Loan was initially recognized at fair value of $21.2 million and subsequently recorded at the amortized cost net of debt issuance costs and debt discount. Debt issuance costs and debt discount in the amounts of $0.1 million and $3.8 million, respectively, are amortized using the effective interest method to interest expenses over the term of the Loan. The Loan's annual effective interest rate was 27.31% as of September 30, 2023.

2023 Convertible Credit Agreement

On January 10, 2023, we entered into, as borrower, a secured convertible credit and security agreement (the "Convertible Credit Agreement") with Innoviva. The Convertible Credit Agreement provides for a secured term loan facility in an aggregate amount of $30.0 million (the "Convertible Loan") which bears interest at a rate of 8.0% per annum, and was scheduled to mature on January 10, 2024. Concurrently with the execution of the Credit Agreement, we amended certain provisions of the Convertible Credit Agreement, to, among other changes, extend the maturity of the Convertible Loan to January 10, 2025.

Repayment of the Convertible Loan is guaranteed by our domestic subsidiaries and foreign material subsidiaries, and the Convertible Loan is secured by substantially all of our assets and the subsidiary guarantors.

The Convertible Credit Agreement provides that if there is a financing from new investors of at least $30.0 million (a "Qualified Financing"), the outstanding principal amount of, and all accrued and unpaid interest on, the Convertible Loan shall be converted into shares of our Common Stock at a price per share equal to a 15.0% discount to the lowest price per share for Common Stock paid by investors in a Qualified Financing (which price paid by investors in a Qualified Financing may not be less than a 15.0% discount to the closing price of Common Stock immediately prior to the consummation of a Qualified Financing event). The Convertible Credit Agreement also required us to file a registration statement (the "Registration Statement") for the resale of all securities issued to the lender in connection with any conversion under the Convertible Credit Agreement, which we originally filed on February 13, 2023 and which was declared effective by the SEC on April 6, 2023. The Convertible Credit Agreement also confers upon the lender the option to convert any outstanding Convertible Loan amount, including all accrued and unpaid interest thereon, at the lender's option, into shares of Common Stock at a price per share equal to the greater of book value or market value per share of Common Stock on the date immediately preceding the effective date of the Convertible Credit Agreement, which was $1.52 (as may be appropriately adjusted for any stock split, combination or similar act).

On July 10, 2023, in connection with the Credit Agreement with Innoviva, we amended the terms of the Convertible Loan, to, among other changes, extend the maturity of the Convertible Loan to January 10, 2025. We concluded that the amendment is an extinguishment for accounting purposes. We recognized a $1.8 million gain as the change in fair value of the convertible debt before the extinguishment date. We estimated fair value of the combined Loan and the Convertible Loan before and after modification and calculated an extinguishment loss of $3.9 million in the condensed consolidated statements of operations for the three months ended September 30, 2023. The Company recognized a $14.7 million loss as the change in fair value of the Convertible Loan from July 10, 2023, the modification date, to September 30, 2023.

Results of Operations

Comparison of three and nine months ended September 30, 2023 and 2022

	Three Months Ended		Change	
	September 30, 2023	September 30, 2022	Amount	%
Grant revenue	$ 1,225,000	$ 1,338,000	$ (113,000)	(8.4%)
Operating expenses				
Research and development	7,978,000	8,400,000	(422,000)	(5.0%)
General and administrative	3,583,000	1,561,000	2,022,000	129.5%
Total operating expenses	11,561,000	9,961,000	1,600,000	16.1%
Loss from operations	(10,336,000)	(8,623,000)	(1,713,000)	19.9%
Other income (expense)				
Interest income	47,000	9,000	38,000	422.2%
Interest expense	(1,176,000)	—	(1,176,000)	*
Change in fair value of convertible debt	(15,833,000)	—	(15,833,000)	*
Loss on convertible debt extinguishment	(3,863,000)	—	(3,863,000)	*
Total other (expense) income, net	(20,825,000)	9,000	(20,834,000)	*
Net loss	$ (31,161,000)	$ (8,614,000)	$ (22,547,000)	261.7%

*Not meaningful

	Nine Months Ended		Change	
	September 30, 2023	September 30, 2022	Amount	%
Grant revenue	$ 3,001,000	$ 4,457,000	$ (1,456,000)	(32.7%)
Operating expenses				
Research and development	25,842,000	25,448,000	394,000	1.5%
General and administrative	8,470,000	5,627,000	2,843,000	50.5%
Total operating expenses	34,312,000	31,075,000	3,237,000	10.4%
Loss from operations	(31,311,000)	(26,618,000)	(4,693,000)	17.6%
Other income (expense)				
Interest income	111,000	15,000	96,000	640.0%
Interest expense	(1,176,000)	—	(1,176,000)	*
Change in fair value of convertible debt	(12,959,000)	—	(12,959,000)	*
Loss on convertible debt extinguishment	(3,863,000)	—	(3,863,000)	*
Total other (expense) income, net	(17,887,000)	15,000	(17,902,000)	*
Net loss	$ (49,198,000)	$ (26,603,000)	$ (22,595,000)	84.9%

*Not meaningful

Grant Revenue

We recognized $1.2 million and $1.3 million of grant revenue during the three months ended September 30, 2023 and 2022, and $3.0 million and $4.5 million of grant revenue during the nine months ended September 30, 2023 and 2022, respectively, which represents MTEC's share of the costs incurred for our AP-SA02 program for the treatment of *Staphylococcus aureus* bacteremia.

Research and Development

The following table summarize our research and development expenses for the three months ended September 30, 2023 and 2022:

	Three Months Ended		Change	
	September 30, 2023	September 30, 2022	Amount	%
External costs:				
Clinical trials	$ 2,518,000	$ 2,286,000	$ 232,000	10.1%
Other research and development costs, including laboratory materials and supplies	1,144,000	863,000	281,000	32.6%
Total external costs	3,662,000	3,149,000	513,000	16.3%
Internal costs:				
Personnel-related costs	2,145,000	3,089,000	(944,000)	(30.6%)
Facilities and overhead costs	2,171,000	2,162,000	9,000	0.4%
Total research and development expense:	$ 7,978,000	$ 8,400,000	$ (422,000)	(5.0%)

Research and development expenses decreased by $0.4 million, from $8.4 million for the three months ended September 30, 2022 to $8.0 million for the three months ended September 30, 2023.

Clinical trial costs increased by $0.2 million, from $2.3 million for the three months ended September 30, 2022 to $2.5 million for the three months ended September 30, 2023. The increase is primarily due to an increase in AP-PA02 Non-Cystic Fibrosis Bronchiectasis study related costs of $0.4 million and an increase in AP-SA02 Bacteremia study related costs of $0.2 million, offset by a decrease in AP-PA02 Cystic Fibrosis study related costs and AP-SA02 Prosthetic Joint Infection studies related costs of $0.4 million.

Other external research and development costs increased by $0.3 million from $0.9 million for the three months ended September 30, 2022, to $1.1 million for the three months ended September 30, 2023. We recognized $0.5 million credit to research and development expenses related to the milestone payment from CFF during the three months ended September 30, 2022 and no such milestone was recognized during the three months ended September 30, 2023. The remaining change is as a result of a decrease of $0.3 million in laboratory supplies, offset by an increase of $0.1 million in research and development consulting services.

Our expenses by product and by project for the three months ended September 30, 2023 and 2022 were as follows:

		Three Months Ended	
		September 30, 2023	September 30, 2022
Product	**Project name**		
AP-PA02	Non-Cystic Fibrosis Bronchiectasis	$ 954,000	$ 565,000
AP-PA02	Cystic Fibrosis	520,000	515,000
AP-SA02	Bacteremia	1,468,000	1,233,000
AP-SA02	Prosthetic Joint Infection	(217,000)	14,000
	Expenses not allocated by projects including laboratory supplies	937,000	822,000
	Total external costs	$ 3,662,000	$ 3,149,000

Personnel-related costs, including employee payroll and related expenses, decreased by $0.9 million, from $3.1 million for the three months ended September 30, 2022 to $2.1 million for the three months ended September 30, 2023, largely due to a decrease in headcount in our research and development organization in the 2023 period compared to the 2022 period, as well as employee stock-based compensation expenses decrease of $0.4 million primarily due to a decrease in the number of stock options granted and vesting of outstanding equity awards.

Facilities and overheads were relatively steady in the three months ended September 30, 2023 compared to the 2022 period and include rent expense, allocated utility expenses, equipment and IT maintenance costs and non-capitalized equipment costs.

The following table summarizes our research and development expenses for the nine months ended September 30, 2023 and 2022 (except percentages):

	Nine Months Ended		Change	
	September 30, 2023	September 30, 2022	Amount	%
External costs:				
Clinical trials	$ 7,060,000	$ 7,236,000	$ (176,000)	(2.4%)
Other research and development costs, including consulting, laboratory supplies and other	3,466,000	3,282,000	184,000	5.6%
Total external costs	10,526,000	10,518,000	8,000	0.1%
Internal costs:				
Personnel-related costs	8,164,000	8,618,000	(454,000)	(5.3%)
Facilities and overhead costs	7,152,000	6,312,000	840,000	13.3%
Total research and development expense:	$ 25,842,000	$ 25,448,000	$ 394,000	1.5%

Research and development expenses increased by $0.4 million, from $25.4 million for the nine months ended September 30, 2022 to $25.8 million for the nine months ended September 30, 2023.

Clinical trial costs decreased by $0.2 million, from $7.2 million for the nine months ended September 30, 2022, to $7.1 million for the three months ended September 30, 2023. The decrease is primarily due to a decrease in AP-PA02 Cystic Fibrosis Bronchiectasis study related costs of $1.6 million as the study was completed with the last patient enrolled in December 2022 and a decrease in AP-SA02 Bacteremia study related costs of $0.3 million, offset by an increase in AP-PA02 Non-Cystic Fibrosis study related costs of $1.3 million as more patients were enrolled in the study and AP-SA02 Prosthetic Joint Infection studies related costs of $0.2 million.

Other external research and development costs increased by $0.2 million from $3.3 million for the nine months ended September 30, 2022 to $3.5 million for the nine months ended September 30, 2023 as we recognized $0.6 million more credit to research and development expenses related to the milestone payment from CFF during the nine months ended September 30, 2022 compared with the nine months ended September 30, 2023. The remaining change is as a result of a decrease of $1.1 million in laboratory supplies, offset by an increase of $0.8 million in research and development consulting services.

Our expenses by project for the nine months ended September 30, 2023 and 2022 were as follows:

		Nine Months Ended	
		September 30, 2023	September 30, 2022
Product	**Project name**		
AP-PA02	Non-Cystic Fibrosis Bronchiectasis	$ 3,016,000	$ 1,505,000
AP-PA02	Cystic Fibrosis	1,879,000	2,961,000
AP-SA02	Bacteremia	3,006,000	3,180,000
AP-SA02	Prosthetic Joint Infection	243,000	101,000
	Expenses not allocated by projects including laboratory supplies	2,382,000	2,771,000
	Total external costs	$ 10,526,000	$ 10,518,000

Personnel-related costs, including employee payroll and related expenses, decreased by $0.5 million, from $8.6 million for the nine months ended September 30, 2022 to $8.2 million for the three months ended September 30, 2023, largely due to a decrease in recruiting expenses of $0.3 million, as well employee stock-based compensation expenses decrease of $0.3 million due to fewer stock options granted and stock price decrease.

Facilities and overheads increased by $0.8 million in the nine months ended September 30, 2023 compared to the 2022 period largely as a result of an increase in lease expense of $0.9 million related to new lease arrangement entered in prior periods, offset by a decrease of $0.1 million in other facilities and overhead costs.

General and Administrative

General and administrative expenses were $3.6 million and $1.6 million for the three months ended September 30, 2023 and 2022, respectively. The increase of $2.0 million is primarily related to an increase of $1.1 million in legal, accounting and other consulting expenses, an increase of $0.4 million in lease, other facilities and overhead expenses, an increase of $0.1 million in recruiting expenses and a one-time expense of $0.5 million related to the prepaid financing costs.

General and administrative expenses were $8.5 million and $5.6 million for the nine months ended September 30, 2023 and 2022, respectively. The increase of $2.9 million is primarily related to an increase of $2.1 million in legal, accounting and other consulting expenses, an increase of $0.7 million in lease, other facilities and overhead expenses, an increase of $0.1 million in recruiting expenses, a one-time expense of $0.5 million related to the prepaid financing costs and a net decrease of personnel-related costs, including stock-based compensation of $0.5 million.

Interest Income

Interest income for both three months ended September 30, 2023 and 2022 was less than $0.1 million, and for the nine months ended September 30, 2023 and 2022 was $0.1 million and less than $0.1 million, respectively, which was related to interest income accrued on our cash and cash equivalents balances.

Interest Expense

We recognized interest expense for both the three and nine months ended September 30, 2023 of $1.2 million, which relates to the interest expenses and the amortization of debt discount and issuance costs for the Loan received from Innoviva in July 2023. Interest expense is accrued and is payable at the Loan maturity in January 2025.

Change in Fair Value of Convertible Debt

We recognized a loss on change in the fair value of the convertible debt for the three and nine months ended September 30, 2023, of $15.8 million and $13.0 million, respectively. The Convertible Loan received from Innoviva in January 2023 and amended in July 2023 is accounted at fair value using a weighted probability of various settlement scenarios of the Convertible Loan during its term discounted to each reporting date. Conversion option scenarios are valued using an option pricing model with significant assumptions and estimates such as volatility, expected term and risk-free interest rates.

Loss on Convertible Debt Extinguishment

We recognized a loss on convertible debt extinguishment for both three and nine months ended September 30, 2023 of $3.9 million which relates to the amendment to the Convertible Loan on July 10, 2023. The amendment was accounted for as an extinguishment in the third quarter 2023.

Liquidity, Capital Resources and Financial Condition

We have incurred net losses since our inception and have negative operating cash flows. Our cash and cash equivalents of $24.0 million as of September 30, 2023, are expected to fund our operations through the first quarter of 2024. We plan to control our expenses and to raise additional capital through a combination of public and private equity, debt financings, strategic alliances, and grant arrangements. These circumstances raise substantial doubt about our ability to continue as a going concern. While management believes this plan to raise additional funds will alleviate the conditions that raise substantial doubt, these plans are not entirely within its control and cannot be assessed as being probable of occurring. We may not be able to secure additional financing in a timely manner or on favorable terms, if at all**.**

During the nine months ended September 30, 2023, we received the Convertible Loan in the aggregate amount of $30.0 million and the Loan in the aggregate amount of $25.0 million from Innoviva. The Convertible Loan and the Loan mature in January 2025, and principal and accrued interest are payable at maturity. The Convertible Loan provides for various conversion and repayment options, including the conversion of principal and accrued interest into shares of our Common Stock upon a Qualified Financing and the Company's option to repay the Convertible loan prior to maturity.

Future Capital Requirements

We will need to raise additional capital in the future to continue to fund our operations. Our future funding requirements will depend on many factors, including:

- the costs and timing of our research and development activities;
- the progress and cost of our clinical trials and other research and development activities;
- manufacturing costs associated with our targeted phage therapies strategy and other research and development activities;
- the costs of completing the construction and improvements of our leased premises to be used as our new headquarters. As of September 30, 2023, the total projected construction costs of our new leased headquarter in Los Angeles are estimated to be approximately $28.6 million. As of September 30, 2023, we incurred a total of $19.3 million and the remaining costs are expected to be incurred through the second quarter of 2024. We expect to receive $7.3 million of the tenant improvement allowance from the landlord before our construction is completed, which we recognized as other receivable in our condensed consolidated balance sheet as of September 30, 2023. The estimated total construction costs may change as the project progresses;
- the terms and timing of any collaborative, licensing, acquisition or other arrangements that we may establish;
- whether and when we receive future Australian tax rebates, if any;
- the costs and timing of seeking regulatory approvals;
- the costs of filing, prosecuting and enforcing any patent applications, claims, patents and other intellectual property rights; and
- the costs of potential lawsuits involving us or our product candidates.

We may seek to raise capital through a variety of sources, including:

- the public equity market;
- private equity financings;
- collaborative arrangements, government grants or strategic financings;
- licensing arrangements; and
- public or private debt.

Any additional fundraising efforts may divert our management team from their day-to-day activities, which may adversely affect our ability to develop and commercialize our product candidates. Our ability to raise additional funds will depend, in part, on the success of our product development activities, including our targeted phage therapies strategy and any clinical trials we initiate, regulatory events, our ability to identify and enter into in-licensing or other strategic arrangements, and other events or conditions that may affect our value or prospects, as well as factors related to financial, economic and market conditions, many of which are beyond our control. We cannot be certain that sufficient funds will be available to us when required or on acceptable terms. If we are unable to secure additional funds on a timely basis or on acceptable terms, we may be required to defer, reduce or eliminate significant planned expenditures, restructure, curtail or eliminate some or all of our development programs or other operations, dispose of technology or assets, pursue an acquisition of our company by a third party at a price that may result in a loss on investment for our shareholders, enter into arrangements that may require us to relinquish rights to certain of our product candidates, technologies or potential markets, file for bankruptcy or cease operations altogether. Any of these events could have a material adverse effect on our business, financial condition and results of operations. Moreover, if we are unable to obtain additional funds on a timely basis, there will be substantial doubt about our ability to continue as a going concern and an increased risk of insolvency and loss of investment by our shareholders. To the extent that additional capital is raised through the sale of equity or convertible debt securities, the issuance of such securities could result in dilution to our existing shareholders. Our ability to raise additional capital may be adversely impacted by potential worsening global economic conditions and the recent disruptions to, and volatility in, financial markets in the United States and worldwide.

Cash Flows

The following table summarizes our sources and uses of cash for the periods presented:

	Nine Months Ended September 30,	
	2023	2022
Net cash used in operating activities	$ (39,317,000)	$ (21,996,000)
Net cash used in investing activities	(5,744,000)	(2,666,000)
Net cash provided by financing activities	54,031,000	44,516,000
Net increase in cash, cash equivalents and restricted cash	$ 8,970,000	$ 19,854,000

Cash Flows Used in Operating Activities

Net cash used in operating activities was $39.3 million and $22.0 million for the nine months ended September 30, 2023 and 2022, respectively.

Cash used in operating activities in the nine months ended September 30, 2023 was primarily due to our net loss for the period of $49.2 million, adjusted by non-cash items of $20.1 million and a decrease of $10.2 million in our net operating assets and liabilities. The non-cash items consist of $13.0 million related to a loss from change in fair value of convertible debt, $3.9 million related to a loss on convertible debt extinguishment, $1.2 million of non-cash interest expense on the Loan, $0.7 million related to stock-based compensation expense, $0.7 million related to depreciation and amortization expense and $0.7 million related to change in right-of-use asset. The decrease in our net operating assets and liabilities was primarily due to a decrease of $9.7 million in operating lease liability, which primarily relates to payments to the construction of office and laboratory and manufacturing space at our new leased facility in Los Angeles, CA, which we expect to complete by the second quarter of 2024, a decrease of $0.3 million in accounts payable and accrued liabilities, a decrease of $0.1 million in accrued compensation, partially offset by an increase of $0.1 million in prepaid expenses and other current assets.

Cash used in operating activities in the nine months ended September 30, 2022 was primarily due to our net loss for the period of $26.6 million, adjusted by non-cash net loss of $2.9 million and a net change of $1.7 million in our net operating assets and liabilities. The non-cash amounts consisted of $2.3 million related to stock-based compensation expense and $0.6 million related to depreciation and amortization expense. The changes in our net operating assets and liabilities were primarily due to an increase of $2.7 million in operating lease liability, an increase of $0.8 million in accrued compensation, an increase of $0.6 million in accounts payable and accrued liabilities, partially offset by an increase of $2.4 million in prepaid expenses and other current assets.

Cash Flows Used in Investing Activities

Net cash used in investing activities was $5.7 million and $2.7 million for the nine months ended September 30, 2023 and 2022, respectively, which is attributable to purchases of laboratory and manufacturing equipment in connection with the construction of a new office, laboratory and manufacturing space at our leased facility in Los Angeles, CA. We expect our spending for property and equipment will decease following the completion of such construction by the second quarter of 2024.

Cash Flows from Financing Activities

Cash provided by financing activities for the nine months ended September 30, 2023 was $54.0 million, which consisted primarily of proceeds from issuance of convertible debt, net of issuance costs of $29.1 million, proceeds from issuance of long-term debt, net of issuance costs of $24.9 million, and proceeds from exercise of stock options of less than $0.1 million.

Cash provided by financing activities for the nine months ended September 30, 2022 was $44.5 million, which consisted primarily of proceeds from sale of common stock, net of offering costs of $44.4 million, and proceeds from exercise of stock options of $0.1 million.

Off-Balance Sheet Arrangements

As of September 30, 2023, we did not have off-balance sheet arrangements.

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate estimates and assumptions, including but not limited to those related to convertible debt, stock-based compensation expense, accruals for research and development costs, lease assets and liabilities, the valuation of deferred tax assets, valuation of uncertain income tax positions, impairment of goodwill and intangible assets and impairment of long-lived assets. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable 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.

Refer to Note 3 to the consolidated financial statements and critical accounting policies and estimated included in our Form 10-K filed with the SEC on March 16, 2023. There were no material changes to our critical accounting policies from December 31, 2022, except the accounting and estimates related to the convertible loan received in January 2023.

Convertible Loan

In January 2023, we entered into the Convertible Credit Agreement with Innoviva. The Convertible Credit Agreement provides for the Convertible Loan in an aggregate amount of $30.0 million, which bears interest at a rate of 8.0% per annum, and was scheduled to mature on January 10, 2024. In July 2023, in connection with the Credit Agreement with Innoviva, we amended the terms of the Convertible Loan, to, among other changes, extend the maturity of the Convertible Loan to January 10, 2025. The Convertible Loan includes various conversion and repayment options, including the conversion of principal and accrued interest into shares of our Common Stock upon a Qualified Financing and the Company's option to repay the Convertible Loan prior to maturity. Refer to Note 7 to the condensed consolidated financial statements included elsewhere in this Form 10-Q for additional details.

We account for the Convertible Loan at fair value and changes in fair value are remeasured each reporting period and are included in other income (expense) in the consolidated statements of operations during each reporting period. We estimate the fair value using a weighted probability of various settlement scenarios during the Convertible Loan term discounted to each reporting date. To estimate the fair value of the conversion option scenarios, we use an option pricing model with significant assumptions, such as volatility, expected term and risk-free interest rates. Changes in volatility, expected term, fair value of our Common Stock and probabilities of scenarios significantly impact the fair value of the Convertible Loan.

As of September 30, 2023, we estimated the fair value of the Convertible Loan to be $49.7 million. For the three and nine months ended September 30, 2023, we recognized loss from change in fair value of convertible debt of $15.8 million and $13.0 million, respectively, in the condensed consolidated statements of operations and comprehensive loss.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and are not required to provide the information required under this item.

Item 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under the supervision of our Chief Executive Officer and Corporate Controller, we evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act (the "Exchange Act") as of September 30, 2023. Based on that evaluation, our Chief Executive Officer and Corporate Controller have concluded that our disclosure controls and procedures were effective as of September 30, 2023 to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Corporate Controller, as appropriate to allow timely discussion regarding required disclosures.

In designing and evaluating our disclosure controls and procedures, management recognizes that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Changes in Internal Control over Financial Reporting

As disclosed in the Company's Current Report on Form 8-K, filed with the SEC on September 20, 2023, Richard Rychlik, the Company's Corporate Controller, was promoted to serve as the Company's principal financial officer effective as of September 15, 2023, replacing Julianne Averill of Danforth Advisors, LLC, who resigned as Chief Financial Officer on the same day. The promotion of Mr. Rychlik was part of the Company's plan to transition more of its financing and accounting functions, including internal controls over financial reporting, to Company personnel and reduce its reliance on outside advisors. Other than as set forth in the preceding sentence, there was no change in our internal control over financial reporting (as defined by Rules 13a-15(d) and 15d-15(d) of the Exchange Act) that occurred during the three months ended September 30, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

From time to time, we are a party to certain litigation that is either judged to be not material or that arises in the ordinary course of business. We intend to vigorously defend our interests in these matters. We expect that the resolution of these matters will not have a material adverse effect on our business, financial condition or results of operations. However, due to the uncertainties inherent in litigation, no assurance can be given as to the outcome of these proceedings.

Item 1A. RISK FACTORS

Our business is subject to a number of risks, including those identified in Item 1A of Part I of our 2022 Form 10-K. There have been no material changes to the risk factors described in our 2022 Form 10-K.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

Number	Description
3.1	Amended and Restated Articles of Incorporation of the Company, as amended (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on November 16, 2015).
3.2	Articles of Amendment to Amended and Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K (File No. 001-37544), filed with the SEC on April 24, 2017.
3.3	Statement of Correction to Articles of Amendment to Amended and Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q, filed on November 8, 2018).
3.4	Articles of Amendment to Amended and Restated Articles of Incorporation of the registrant (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K, filed with the SEC on December 18, 2018).
3.5	Articles of Amendment to Amended and Restated Articles of Incorporation of the registrant (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K, filed with the SEC on May 10, 2019).
3.6	Articles of Amendment to Amended and Restated Articles of Incorporation of the registrant (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K, filed with the SEC on December 11, 2019).
3.7	Articles of Amendment to Articles of Incorporation of the Company (effective March 26, 2020) (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on March 30, 2020).
3.8	Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.5 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on August 14, 2019).
3.9	Amendment to Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed with the SEC on December 11, 2019).
3.10	Amendment to Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on February 26, 2020).
4.1	Reference is made to Exhibits 3.1 through 3.4.
10.1	Separation and Release Agreement, dated as of July 14, 2023, by and between the Company and Brian Varnum (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on July 19, 2023).
31.1	Certification of Principal Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) .
31.2	Certification of Principal Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a).
32.1†	Certification of Principal Executive Officer Required by Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. 1350.

32.2†	Certification of Principal Financial Officer Required by Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. 1350.
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
104	Cover Page Interactive Data File Cover Page Interactive Data File (embedded within the Inline XBRL document)

† The certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed not “filed” for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section, nor shall they be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

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.

ARMATA PHARMACEUTICALS, INC.

Date: November 14, 2023

By /s/ Deborah L. Birx
Name: Deborah L. Birx, M.D.
Title: Chief Executive Officer
(Principal Executive Officer)

By /s/ Richard Rychlik
Name: Richard Rychlik
Title: Corporate Controller
(Principal Financial Officer)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Deborah L. Birx, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Armata Pharmaceuticals, 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

5. The registrant's other certifying officer 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 14, 2023

/s/ Deborah L. Birx
Deborah L. Birx, M.D.
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Richard Rychlik, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Armata Pharmaceuticals, 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

5. The registrant's other certifying officer 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 14, 2023

/s/ Richard Rychlik
Richard Rychlik
Corporate Controller
(Principal Financial Officer)

Exhibit 32.1

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

In connection with the quarterly report of Armata Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2023 as filed with the Securities and Exchange Commission (the "Report"), I, Deborah L. Birx, Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, 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 at the dates and for the periods indicated.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Date: November 14, 2023

/s/ Deborah L. Birx
Deborah L. Birx, M.D.
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

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

In connection with the quarterly report of Armata Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2023 as filed with the Securities and Exchange Commission (the "Report"), I, Richard Rychlik, Corporate Controller of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, 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 at the dates and for the periods indicated.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Date: November 14, 2023

/s/ Richard Rychlik
Richard Rychlik
Corporate Controller
(Principal Financial Officer)