

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended September 30, 2022  
OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number: 001-39438

**GEMINI THERAPEUTICS, INC.**

(Exact Name of Registrant as Specified in its Charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)  
**297 Boston Post Road #248, Wayland, MA<sup>1</sup>**  
(Address of principal executive offices)

**85-1612845**  
(I.R.S. Employer  
Identification No.)  
**01778**  
(Zip Code)

Registrant's telephone number, including area code: (617) 401-4400

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.0001 per share	GMTX	The Nasdaq Global Market

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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

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

As of November 4, 2022, the registrant had 43,328,315 shares of common stock, \$0.0001 par value per share, outstanding.

<sup>1</sup>The Company does not currently maintain a physical headquarters but maintains a mailing address at 297 Boston Post Road #248, Wayland, MA 01778.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that involve risks and uncertainties, which are made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These forward-looking statements relate to expectations for future financial performance, business strategies or expectations for our business. These forward-looking statements are based on information available as of the date of this report and our management’s current expectations, forecasts and assumptions, and involve a number of judgments, risks and uncertainties. Accordingly, forward-looking statements should not be relied upon as representing our views as of any subsequent date. We do not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws. Specifically, forward-looking statements may include, but are not limited to, statements relating to or about:

- our ability to complete, on a timely basis or at all, the potential merger transaction with Disc Medicine, Inc. (“Disc”) announced on August 10, 2022 and our ability to preserve financial resources prior to completion of the transaction;
- our ability to evaluate strategic alternatives during the pendency of the merger with Disc, given limitations in the merger agreement;
- costs associated with our restructuring, and the savings benefits we expect to receive from the restructuring;
- success in retaining, or changes required in, our remaining current officers, key employees or directors;
- our public securities’ potential liquidity and trading;
- the ability of our clinical trials and any available data therefrom to demonstrate acceptable safety and efficacy of our product candidates, including GEM103, our lead product candidate;
- the timing, progress and results of any clinical trials for GEM103 and our other product candidates, to the extent relevant, including statements regarding the timing of initiation and completion of studies or trials and related preparatory work,
- the period during which the results of the trials, if any, will become available, and our research and development programs;
- the timing, scope and likelihood of regulatory filings, if any;
- our ability to obtain marketing approvals of our product candidates and to meet existing or future regulatory standards or comply with post-approval requirements, to the extent relevant;
- our expectations regarding the potential market size and the size of the patient populations for our product candidates, if approved for commercial use;
- our commercialization, marketing and manufacturing capabilities and strategy, to the extent relevant;
- our intellectual property position and expectations regarding our ability to obtain and maintain intellectual property protection;
- the impact of laws and government regulations;
- our competitive position and expectations regarding developments and projections relating to our competitors and any competing therapies that are or become available, to the extent we continue to operate our business;
- developments and expectations regarding developments and projections relating to our competitors and industry;
- the loss of our remaining executive, financial and strategic alternatives teams;
- our lack of profitability and, to the extent we continue to operate our business, the need for additional capital;
- our anticipated business related expenditures; and

- the outcome of any known and unknown litigation.

Other statements preceded by, followed by or that include the words “may,” “can,” “should,” “will,” “estimate,” “plan,” “project,” “forecast,” “intend,” “expect,” “anticipate,” “believe,” “seek,” “target” or similar expressions, or the negative of these terms, are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

Any or all forward-looking statements may turn out to be incorrect. Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, you should not rely on these forward-looking statements as predictions of future events. As a result of a number of known and unknown risks and uncertainties, our actual results or performance may be materially different from those expressed or implied by these forward-looking statements. Some factors that could cause actual results to differ include:

- the failure of, or any delays in, our proposed transaction with Disc, including the occurrence of any change, effect, event, development, matter, state of facts, series of events or circumstances that could give rise to the termination of the agreement and plan of merger and reorganization with Disc related to the proposed merger transaction, including a termination of such agreement under circumstances that could require us to pay a termination fee to Disc;
- the ability to satisfy the conditions to the proposed merger transaction with Disc, including the ability to obtain shareholder approval, on the proposed terms and timeframe;
- whether our stockholders receive any payment on the contingent value rights (CVRs) contemplated by the merger agreement with Disc;
- the risk that any strategic alternative process disrupts current plans and operations;
- the ability to recognize the anticipated benefits of any strategic alternative process or a potential strategic transaction, including the anticipated benefits of the transactions related to the proposed merger transaction with Disc in a timely manner or at all;
- costs related to the strategic alternative process or a potential strategic transaction, including the risk of unanticipated costs, liabilities or delays relating to the proposed merger transaction with Disc, including the outcome of any legal proceedings relating to the merger transaction;
- the risk that the loss of key employees disrupts our operations and our ability to complete the proposed merger transaction with Disc;
- changes in applicable laws or regulations;
- the ability to meet continued listing criteria under the Nasdaq Listing Rules;
- the possibility that we may be adversely affected by other economic, geopolitical, business, and/or competitive factors; and
- other risks and uncertainties described under the section of our most recent Annual Report on Form 10-K for the year ended December 31, 2021 entitled “Risk Factors” and our other filings with the U.S. Securities and Exchange Commission (“SEC”).

## Table of Contents

	<u>Page</u>
<b>PART I.</b>	
	1
Item 1.	1
	1
	2
	3
	5
	6
Item 2.	19
Item 3.	30
Item 4.	30
<b>PART II.</b>	31
	31
Item 1.	31
Item 1A.	31
Item 2.	36
Item 3.	36
Item 4.	36
Item 5.	36
Item 6.	37
<a href="#">Signatures</a>	38

## PART I—FINANCIAL INFORMATION

## Item 1. Financial Statements.

**Gemini Therapeutics, Inc.**  
**Condensed Consolidated Balance Sheets**  
**(Unaudited)**  
(In thousands, except share and per share amounts)

	September 30, 2022	December 31, 2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 101,737	\$ 136,627
Restricted cash, current	-	223
Prepaid expenses and other current assets	2,927	3,250
Total current assets	104,664	140,100
Restricted cash, non-current	-	100
Other assets	1,367	237
Total assets	\$ 106,031	\$ 140,437
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 1,139	\$ 2,950
Accrued expenses and other current liabilities	325	6,884
Term loan, current portion	-	5,000
Total current liabilities	1,464	14,834
Other liabilities	-	358
Term loan, net of current portion and discount	-	404
Total liabilities	1,464	15,596
Stockholders' equity:		
Preferred stock, \$0.0001 par value; 10,000,000 shares authorized; no shares issued and outstanding as of September 30, 2022 and December 31, 2021	-	-
Common stock, \$0.0001 par value; 250,000,000 shares authorized; 43,299,453 and 43,208,159 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	4	4
Additional paid-in capital	314,851	309,527
Accumulated deficit	(210,288)	(184,690)
Total stockholders' equity	104,567	124,841
Total liabilities and stockholders' equity	\$ 106,031	\$ 140,437

*The accompanying notes are an integral part of the condensed consolidated financial statements.*

**Gemini Therapeutics, Inc.**  
**Condensed Consolidated Statements of Operations and Comprehensive Loss**  
**(Unaudited)**  
**(In thousands, except share and per share amounts)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Operating expenses:				
Research and development	\$ 438	\$ 13,455	\$ 12,822	\$ 36,083
General and administrative	3,299	4,995	13,326	15,177
Total operating expenses	<u>3,737</u>	<u>18,450</u>	<u>26,148</u>	<u>51,260</u>
Loss from operations	(3,737)	(18,450)	(26,148)	(51,260)
Other income (expense):				
Interest expense	(41)	(104)	(155)	(2,073)
Interest income	499	5	657	11
Loss on conversion of convertible notes	-	-	-	(711)
Other expense	-	(2)	-	(13)
Other income	2	-	48	-
Net loss and comprehensive loss	<u>\$ (3,277)</u>	<u>\$ (18,551)</u>	<u>\$ (25,598)</u>	<u>\$ (54,046)</u>
Net loss per share, basic and diluted	<u>\$ (0.08)</u>	<u>\$ (0.43)</u>	<u>\$ (0.59)</u>	<u>\$ (1.37)</u>
Weighted average common shares outstanding, basic and diluted	43,264,616	43,091,822	43,236,171	39,427,476

*The accompanying notes are an integral part of the condensed consolidated financial statements.*

**Gemini Therapeutics, Inc.**  
**Condensed Consolidated Statements of Stockholders' Equity**  
**(Unaudited)**  
**(In thousands, except share amounts)**

	Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Old Gemini Common Stock		Common Stock		Addition al paid-in capital	Accumulat ed deficit	Total stockholder s' equity
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
<b>Balance at December 31, 2020 (as previously reported)</b>	39,722, 088	\$ 47,113	24,790, 38	33,33 6	6,900, 93	\$ 7	-	\$ -	\$ 10,504	\$ (112,821)	\$ (102,310)
Retroactive application of the recapitalization due to the Business Combination (Note 3)	(39,722, ,088)	(47,113)	(24,790, 938)	(33,33 6)	(6,900, 93)	(7)	15,565, 380	2	80,454	-	80,449
<b>Balance at December 31, 2020, effect of Business Combination (Note 3)</b>	-	-	-	-	-	-	15,565, 380	2	90,958	(112,821)	(21,861)
Issuance of common stock upon Business Combination, net of issuance costs (Note 3)	-	-	-	-	-	-	25,041, 150	2	195,88 0	-	195,882
Conversion of promissory notes (Note 3)	-	-	-	-	-	-	2,341,3 16	-	14,515	-	14,515
Issuance of common stock upon exercise of warrants (Note 3)	-	-	-	-	-	-	15,257	-	76	-	76
Vesting of restricted common stock	-	-	-	-	-	-	35,561	-	-	-	-
Issuance of common stock upon exercise of stock options	-	-	-	-	-	-	3,480	-	4	-	4
Stock-based compensation expense	-	-	-	-	-	-	-	-	1,593	-	1,593
Net loss	-	-	-	-	-	-	-	-	-	(19,048)	(19,048)
<b>Balance at March 31, 2021</b>	-	-	-	-	-	-	43,002, 144	4	303,02 6	(131,869)	171,161
Issuance of common stock upon exercise of stock options	-	-	-	-	-	-	52,968	-	106	-	106
Stock-based compensation expense	-	-	-	-	-	-	-	-	2,862	-	2,862
Net loss	-	-	-	-	-	-	-	-	-	(16,447)	(16,447)
<b>Balance at June 30, 2021</b>	-	\$ -	-	\$ -	-	\$ -	43,055, 112	\$ 4	305,99 4	\$ (148,316)	\$ 157,682
Issuance of common stock upon exercise of stock options	-	-	-	-	-	-	57,630	-	71	-	71
Stock-based compensation expense	-	-	-	-	-	-	-	-	1,659	-	1,659
Net loss	-	-	-	-	-	-	-	-	-	(18,551)	(18,551)
<b>Balance at September 30, 2021</b>	-	\$ -	-	\$ -	-	\$ -	43,112, 742	\$ 4	307,72 4	\$ (166,867)	\$ 140,861

	Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Old Gemini Common Stock		Common Stock		Addition paid-in capital	Accumula ted deficit	Total stockholde rs' equity
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
<b>Balance at December 31, 2021</b>	-	\$ -	-	\$ -	-	\$ -	43,208,159	\$ 4	\$ 309,527	\$ (184,690)	\$ 124,841
Issuance of common stock upon exercise of stock options	-	-	-	-	-	-	19,000	-	25	-	25
Stock-based compensation expense	-	-	-	-	-	-	-	-	1,976	-	1,976
Net loss	-	-	-	-	-	-	-	-	-	(15,231)	(15,231)
<b>Balance at March 31, 2022</b>	-	-	-	-	-	-	43,227,159	4	311,528	(199,921)	111,611
Issuance of common stock upon exercise of stock options	-	-	-	-	-	-	7,334	-	9	-	9
Proceeds from sale of stock under employee stock purchase plan	-	-	-	-	-	-	9,960	-	11	-	11
Stock-based compensation expense	-	-	-	-	-	-	-	-	2,356	-	2,356
Net loss	-	-	-	-	-	-	-	-	-	(7,090)	(7,090)
<b>Balance at June 30, 2022</b>	-	\$ -	-	\$ -	-	\$ -	43,244,453	\$ 4	\$ 313,904	\$ (207,011)	\$ 106,897
Vesting of restricted common stock	-	-	-	-	-	-	50,000	-	-	-	-
Issuance of common stock upon exercise of stock options	-	-	-	-	-	-	5,000	-	6	-	6
Stock-based compensation expense	-	-	-	-	-	-	-	-	941	-	941
Net loss	-	-	-	-	-	-	-	-	-	(3,277)	(3,277)
<b>Balance at September 30, 2022</b>	-	\$ -	-	\$ -	-	\$ -	43,299,453	\$ 4	\$ 314,851	\$ (210,288)	\$ 104,567

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



**Gemini Therapeutics, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited)**  
**(In thousands)**

	<b>Nine Months Ended September 30,</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (25,598)	\$ (54,046)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	-	185
Stock-based compensation expense	5,273	6,114
Non-cash interest expense	54	257
Loss on conversion of convertible notes	-	711
Accretion of discount on convertible notes	-	1,600
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	323	(4,098)
Deferred offering or transaction costs	(1,169)	1,341
Other assets	39	(232)
Accounts payable	(1,811)	(459)
Accrued expenses and other current liabilities	(6,958)	1,595
Net cash used in operating activities	<u>(29,847)</u>	<u>(47,032)</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	-	(61)
Net cash used in investing activities	<u>-</u>	<u>(61)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from Business Combination, net	-	195,882
Proceeds from exercise of stock options	40	110
Proceeds from sale of stock under employee stock purchase plan	11	-
Principal payments on term loan	(5,417)	(3,333)
Net cash provided by (used in) financing activities	<u>(5,366)</u>	<u>192,659</u>
Increase (decrease) in cash, cash equivalents and restricted cash	<u>(35,213)</u>	<u>145,566</u>
Cash, cash equivalents and restricted cash at beginning of period	136,950	4,826
Cash, cash equivalents and restricted cash at end of period	<u>\$ 101,737</u>	<u>\$ 150,392</u>
<b>Supplemental disclosure</b>		
Cash paid for interest	<u>\$ 118</u>	<u>\$ 248</u>
<b>Noncash financing activities</b>		
Proceeds from exercise of stock options included in other current assets	<u>\$ -</u>	<u>\$ 71</u>
Conversion of convertible notes to Series B preferred stock	<u>\$ -</u>	<u>\$ 14,515</u>
Exercise of warrants	<u>\$ -</u>	<u>\$ 76</u>
Property and equipment purchases included in accounts payable and accrued expenses	<u>\$ -</u>	<u>\$ 9</u>

*The accompanying notes are an integral part of the condensed consolidated financial statements.*

**Gemini Therapeutics, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**(Unaudited)**

**1. Nature of the business**

Gemini Therapeutics, Inc. (the “Company” or “Gemini”) is a clinical-stage precision medicine company developing novel therapeutic compounds to treat genetically defined, age-related macular degeneration. The Company was founded on March 3, 2015.

Unless the context otherwise requires, references in these notes to “Gemini”, “the Company”, “we”, “us” and “our” and any related terms are intended to mean Gemini Therapeutics, Inc. and its consolidated subsidiary following the Business Combination (as defined below).

Since its inception, the Company has devoted substantially all its efforts and financial resources to organizing and staffing the Company, business planning, raising capital, discovering product candidates and securing related intellectual property rights and conducting research and development activities for its product candidates. In January 2022, the Company discontinued both of its Phase 2a clinical trials for GEM103. The Company's other product candidate, GEM307, is in the preclinical stage of development.

In February 2022, the Company announced a corporate restructuring and that it initiated a process to evaluate strategic alternatives. After a comprehensive review of strategic alternatives, including identifying and reviewing potential candidates for a strategic transaction, on August 9, 2022, the Company entered into an Agreement and Plan of Merger and Reorganization (the “Disc Merger Agreement”) with Disc Medicine, Inc., a Delaware corporation (“Disc”), and Gemstone Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of the Company (“Gem Merger Sub”), pursuant to which, subject to the satisfaction or waiver of the conditions therein, Gem Merger Sub will merge with and into Disc (the “Disc Merger”), with Disc continuing as the surviving company and a wholly-owned subsidiary of the Company. In connection with the Disc Merger, the Company will distribute to the pre-closing Gemini stockholders contingent value rights (“CVRs”), representing the contractual right to receive payments from the post-closing combined company upon receipt of certain proceeds derived from consideration paid as a result of the disposition of the Company's pre-Disc Merger assets, net of certain permitted deductions for expenses. The Disc Merger was unanimously approved by the Company's board of directors (the “Board”), and the Board resolved to recommend approval of the Disc Merger Agreement to the Company's shareholders. The closing of the Disc Merger is subject to approval by the stockholders of the Company and Disc as well as other customary closing conditions, including the effectiveness of a registration statement filed on Form S-4 with the SEC in connection with the transaction. If the merger is completed, the business of Disc will continue as the business of the combined company. For additional information regarding such transaction, please refer to Note 2, *Merger Agreement*, to these condensed consolidated financial statements.

The Company's future operations are highly dependent on the success of the Disc Merger and there can be no assurances that the Disc Merger will be successfully consummated. In the event that the Company does not complete the transaction with Disc, the Company may explore strategic alternatives, including, without limitation, another strategic transaction and/or pursue a dissolution and liquidation of the Company.

On February 5, 2021 (the “Closing Date”), FS Development Corporation, a Delaware corporation (“FSDC”), consummated the previously announced business combination (the “Business Combination”) pursuant to the terms of the Agreement and Plan of Merger, dated as of October 15, 2020 (as amended, supplemented or otherwise modified from time to time, the “Merger Agreement”), by and among Gemini Therapeutics, Inc., a Delaware corporation (“Old Gemini”), Shareholder Representative Services LLC, a Colorado limited liability company solely in its capacity as the representative, agent and attorney-in-fact of the Company Securityholders (the “Stockholders' Representative”), FSDC and FSG Merger Sub Inc., a Delaware corporation (“Merger Sub”).

FSDC was incorporated in Delaware on June 25, 2020 and was formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses.

On the day prior to the Closing Date, Old Gemini changed its name to “Gemini Therapeutics Sub, Inc.” Pursuant to the Merger Agreement, on the Closing Date, (i) FSDC changed its name to “Gemini Therapeutics, Inc.” and (ii) Old Gemini merged with and into Merger Sub (the “Merger”), with Old Gemini as the surviving company in the Merger and, after giving effect to such Merger, Old Gemini becoming a wholly-owned subsidiary of Gemini. Upon the closing of the Business Combination, and pursuant to the terms of the Merger Agreement, the existing shareholders of Old Gemini exchanged their interests for shares of common stock of Gemini.

In connection with the Business Combination, certain investors purchased an aggregate of \$95.1 million of the Company's Common Stock in a private placement of public equity (the “PIPE Financing”). Together with FSDC's cash resources and funding of the PIPE Financing, the Company received net proceeds of approximately \$195.9 million.

For additional information on the Business Combination, please refer to Note 3, *Business Combination*, to these condensed consolidated financial statements.

In addition to risks related to the Company's ability to consummate the Disc Merger, and until the consummation of the Disc Merger, the Company is subject to risks and uncertainties common to early-stage companies in the biotechnology industry, including, but not limited to, uncertainty of product development and commercialization, lack of marketing and sales history, development by its competitors of new technological innovations, dependence on key personnel, market acceptance of products, product liability, protection of proprietary technology, ability to raise additional financing, compliance with government regulations and the impact of the ongoing and evolving novel coronavirus disease ("COVID-19") pandemic. If the Company does not successfully commercialize any of its product candidates, it will be unable to generate recurring product revenue or achieve profitability.

The Company's product candidates will require significant additional research and development efforts, including extensive preclinical and clinical testing and regulatory approval prior to commercialization. These efforts require significant amounts of additional capital, adequate personnel and infrastructure and extensive compliance-reporting capabilities. There can be no assurance that the Company's research and development will be successfully completed, that adequate protection for the Company's intellectual property will be obtained, that any products developed will obtain necessary government regulatory approval or that any approved products will be commercially viable. Even if the Company's product development efforts are successful, it is uncertain when, if ever, the Company will generate significant revenue from product sales. The Company operates in an environment of rapid change in technology and is dependent upon the services of its employees, consultants, third-party contract research organizations and other third-party organizations.

Prior to the Business Combination, the Company primarily financed its operations through the sale of convertible preferred stock, borrowings under convertible promissory notes and borrowings under loan agreements. The Company believes that its \$101.7 million of cash and cash equivalents as of September 30, 2022 will enable it to fund its planned operations for at least twelve months from the issuance date of these condensed consolidated financial statements, though the Company may raise additional capital through a combination of equity offerings, debt financings, collaborations, strategic alliances and marketing, distribution or licensing arrangements. Management's expectations with respect to its ability to fund current planned operations is based on estimates that are subject to risks and uncertainties. Its operating plan may change as a result of many factors currently unknown to management, and there can be no assurance that the current operating plan will be achieved in the time frame anticipated by the Company, and it may need to seek additional funds sooner than anticipated. Furthermore, the operating plan could materially change depending on the outcome of our ongoing strategic alternative review process, including if the Disc Merger is not successfully consummated on a timely basis or at all. In the event that the Company does not complete the transaction with Disc, if adequate funds are not available to the Company on a timely basis, on acceptable terms or at all, management may be required to delay, limit, reduce or terminate certain of its research, product development or future commercialization efforts, obtain funds through arrangements with collaborators on terms unfavorable to the Company, or pursue merger or acquisition strategies, all of which could adversely affect the holdings or the rights of its stockholders.

#### *Macroeconomic Conditions*

The Company is currently operating in a period of economic uncertainty and capital markets disruption, which has been significantly impacted by geopolitical instability, including in Europe, and record inflation. The Company's business, financial condition and results of operations could be materially and adversely affected by any negative impact on the global economy and capital markets resulting from these global economic conditions, particularly if such conditions are prolonged or worsen.

Economic uncertainty in various global markets, including the U.S. and Europe, caused by political instability and conflict and economic challenges caused by the ongoing COVID-19 pandemic, have led to market disruptions, including significant volatility in commodity prices, credit and capital market instability and supply chain interruptions, which have caused record inflation globally.

The Company has not incurred impairment losses in the carrying values of its assets as a result of these macroeconomic conditions and it is not aware of any specific related event or circumstance that would require it to revise its estimates reflected in these condensed consolidated financial statements. Although, to date, the Company's business has not been materially impacted by these global economic and geopolitical conditions, it is impossible to predict the extent to which the Company's operations will be impacted in the short and long term, or the ways in which such instability could impact the Company's business and results of operations. The extent and duration of these market disruptions, whether as a result of the military conflict between Russia and Ukraine, geopolitical tensions, record inflation or otherwise, are impossible to predict, but could be substantial. Furthermore, the ongoing COVID-19 pandemic and related impacts have resulted in and will likely continue to result in significant disruptions to the global economy and capital markets around the world. The Company cannot predict the future progression or full impact of the outbreak and its effects on the Company's business and operations. Any such disruptions may also magnify the impact of other risks described in this report.

## **2. Merger Agreement**

In February 2022, the Company announced a corporate restructuring and that it initiated a process to evaluate strategic alternatives. After a comprehensive review of strategic alternatives, including identifying and reviewing potential candidates for a strategic transaction, on August 5, 2022, the Company formed a wholly-owned subsidiary, Gemstone Merger Sub, Inc. (“Gem Merger Sub”), a Delaware shell company formed solely for the purpose of merging with Disc Medicine, Inc., a Delaware corporation (“Disc”) in connection with the proposed merger transaction with Disc described below.

On August 9, 2022, the Company entered into the Disc Merger Agreement with Disc and Gem Merger Sub, pursuant to which, subject to the satisfaction or waiver of the conditions therein, Gem Merger Sub will merge with and into Disc, with Disc continuing as the surviving company and a wholly-owned subsidiary of the Company. The Disc Merger was unanimously approved by the Board, and the Board resolved to recommend approval of the Disc Merger Agreement to the Company’s shareholders.

The transaction is expected to close in the fourth quarter of 2022. The closing of the Disc Merger is subject to approval by the stockholders of the Company and Disc as well as other customary closing conditions, including the effectiveness of a registration statement on Form S-4 filed with the SEC in connection with the transaction and Nasdaq’s approval of the listing of the shares of the Company’s common stock to be issued in connection with the transaction. If the Company is unable to satisfy certain closing conditions or if other mutual closing conditions are not satisfied, Disc will not be obligated to complete the Disc Merger. The Disc Merger Agreement contains certain termination rights of each of the Company and Disc. Under certain circumstances detailed in the Disc Merger Agreement, the Company could be required to pay Disc a termination fee of \$3,000,000 or Disc could be required to pay the Company a termination fee of \$7,800,000. In addition, in certain circumstances upon the termination of the Disc Merger Agreement, the Company could be required to pay the costs and expenses of Disc in an amount not to exceed \$750,000, or Disc could be required to pay our costs and expenses in an amount not to exceed \$750,000. If the merger is completed, the business of Disc will continue as the business of the combined company. During both the three and nine months ended September 30, 2022, the Company capitalized \$1.2 million of deferred transaction costs associated with the proposed merger transaction with Disc, which was included in other assets in the Company’s condensed consolidated balance sheet as of September 30, 2022.

Subject to the terms and conditions of the Disc Merger Agreement, at the effective time of the Disc Merger (the “Effective Time”), each then outstanding share of Disc common stock (including shares of Disc common stock issued upon conversion of Disc preferred stock and shares of Disc common stock issued in the concurrent financing transaction) will be converted into the right to receive a number of shares of the Company’s common stock (subject to the payment of cash in lieu of fractional shares and after giving effect to a reverse stock split of the Company’s common stock) calculated in accordance with the Disc Merger Agreement (the “Exchange Ratio”). Further, at the Effective Time, each person who as of immediately prior to the Effective Time was a stockholder of record of the Company or had the right to receive the Company’s common stock will be entitled to receive a contractual CVR issued by the Company subject to and in accordance with the terms and conditions of a Contingent Value Rights Agreement between the Company, the holder’s representative and the rights agent (the “CVR Agreement”), representing the contractual right to receive payments from the post-closing combined company upon receipt of certain proceeds derived from consideration paid as a result of the disposition of the Company’s pre-Disc Merger assets, net of certain permitted deductions for expenses.

Concurrently with the execution and delivery of the Disc Merger Agreement, certain parties have entered into agreements with Disc pursuant to which they have agreed, subject to the terms and conditions of such agreements, to purchase prior to the consummation of the Disc Merger shares of Disc common stock for an aggregate purchase price of approximately \$53.5 million. Shares of Disc common stock issued pursuant to this financing transaction will be converted into shares of the Company’s common stock in the Disc Merger in accordance with the Exchange Ratio.

The Company’s future operations are highly dependent on the success of the Disc Merger and there can be no assurances that the Disc Merger will be successfully consummated. In the event that the Company does not complete the transaction with Disc, the Company may explore other strategic alternatives, including, without limitation, another strategic transaction and/or pursue a dissolution and liquidation of the Company.

### **3. Business Combination**

On February 5, 2021, Old Gemini and FSDC completed the Business Combination pursuant to the Merger Agreement with Old Gemini surviving the merger as a wholly owned subsidiary of FSDC. Net proceeds from the Business Combination totaled approximately \$195.9 million, which included funds held in FSDC’s trust account and the completion of the concurrent PIPE Financing.

In accordance with the terms and subject to the conditions of the Merger Agreement, at the effective time of the Merger, (i) all shares of Old Gemini’s Series B Preferred Stock (including shares of Series B Preferred Stock issued upon conversion of outstanding convertible promissory notes), Series A Preferred Stock and Common Stock (collectively, “Old Gemini Stock”) issued and outstanding immediately prior to the effective time of the Merger, whether vested or unvested, were converted into the right to receive their pro rata portion of the 17,942,274 shares of FSDC Class A Common Stock (the “Common Stock”) issued as Merger consideration (the “Merger Consideration”), provided that 2,150,000 shares of Common Stock are held in escrow for a period of 12 months from the Closing Date

to satisfy any indemnification obligations of Old Gemini under the Merger Agreement; (ii) each option exercisable for Old Gemini Stock that was outstanding immediately prior to effective time of the Merger was assumed and continues in full force and effect on the same terms and conditions as were previously applicable to such options, subject to adjustments to exercise price and number of shares Common Stock issuable upon exercise based on the final conversion ratio calculated in accordance with the Merger Agreement, and (iii) 4,264,341 shares of Common Stock were reserved for issuance under the newly adopted 2021 Stock Option and Incentive Plan (the “2021 Plan”).

The Company accounted for the Business Combination as a reverse recapitalization, which is the equivalent of Old Gemini issuing stock for the net assets of FSDC, accompanied by a recapitalization, with FSDC treated as the acquired company for accounting purposes. The determination of FSDC as the “acquired” company for accounting purposes was primarily based on the fact that immediately subsequent to the Business Combination, shareholders of Old Gemini prior to the Business Combination have a majority of the voting power of the combined company, the operations of Old Gemini will comprise all of the ongoing operations of the combined entity, and Old Gemini’s senior management will comprise all of the senior management of the combined company. The net assets of FSDC were stated at historical cost with no goodwill or other intangible assets recorded. Reported results from operations included herein prior to the Business Combination are those of Old Gemini. The shares and corresponding capital amounts and loss per share related to Old Gemini’s outstanding convertible preferred stock and common stock prior to the Business Combination have been retroactively restated to reflect the conversion ratio established in the Merger Agreement (1.00 Old Gemini share for 0.2180 shares of the Company) (the “Conversion Ratio”).

In connection with the Business Combination, the Company incurred equity issuance costs and other costs considered direct and incremental to the transaction totaling \$21.0 million, consisting of legal, accounting, financial advisory and other professional fees. These amounts are reflected within additional paid-in capital in the condensed consolidated balance sheet as of September 30, 2022.

#### *PIPE Financing*

Concurrent with the execution of the Business Combination, the Company entered into subscription agreements with certain investors (the “PIPE Investors”) pursuant to which the PIPE Investors subscribed for and purchased an aggregate of 9,506,000 shares of Common Stock for an aggregate purchase price of \$95.1 million.

#### *Summary of Net Proceeds*

The following table summarizes the elements of the net proceeds from the Business Combination (in thousands):

Cash - FSDC Trust Account and cash (net of redemptions)	\$	121,782
Cash - PIPE Financing		95,060
Less: Equity issuance costs and other costs paid		(20,960)
Net proceeds from the Business Combination	\$	<u>195,882</u>

#### *Summary of Shares Issued*

The following table summarizes the number of shares of Common Stock outstanding immediately following the consummation of the Business Combination:

FSDC shares outstanding prior to the Business Combination	15,535,150
Shares issued pursuant to the PIPE Financing	9,506,000
Business Combination and PIPE Financing shares	<u>25,041,150</u>
Conversion of Old Gemini Series A preferred stock for common stock	8,657,869
Conversion of Old Gemini Series B preferred stock for common stock	7,744,785
Conversion of Old Gemini common stock for common stock	1,539,603
Issuance of common stock upon exercise of warrants	15,257
Total shares of the Company’s common stock outstanding immediately following the Business Combination	<u>42,998,664</u>

## **4. Summary of Significant Accounting Policies**

### **Basis of presentation**

The accompanying unaudited condensed consolidated financial statements include those of the Company and its subsidiary, Gemini Therapeutics Sub, Inc., after elimination of all intercompany accounts and transactions. The accompanying unaudited condensed consolidated financial statements and notes hereto have been prepared in conformity with the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial reporting and, therefore, omit or condense certain footnotes and other information

normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) as set forth in the Financial Accounting Standards Board’s (“FASB”). Any reference in these notes to applicable guidance is meant to refer to the authoritative GAAP as found in the Accounting Standards Codification (“ASC”) and Accounting Standards Updates (“ASU”) of the FASB.

In the opinion of management, all adjustments necessary for a fair statement of the financial information, which are of a normal and recurring nature, have been made for the interim periods reported. Results of operations for the three and nine months ended September 30, 2022 and 2021 are not necessarily indicative of the results for the entire fiscal year or any other period. The condensed consolidated financial information for the three and nine months ended September 30, 2022 and 2021 have been prepared on the same basis as and should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2021 included in the Company’s Annual Report on Form 10-K as filed with the SEC on March 10, 2022.

As a result of the Business Combination, the shares and corresponding capital amounts and loss per share related to Old Gemini’s outstanding convertible preferred stock and common stock prior to the Business Combination have been retroactively restated to reflect the Conversion Ratio established in the Merger Agreement. For additional information regarding the Business Combination, please refer to Note 3, *Business Combination*, to these condensed consolidated financial statements.

The significant accounting policies used in preparation of these unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2022 are consistent with those discussed in Note 3 to the consolidated financial statements in the Company’s 2021 Annual Report on Form 10-K and are updated below as necessary.

### **CARES Act**

The CARES Act provided refundable employee retention credits, which could be used to offset payroll tax liabilities. On March 11, 2021, President Biden signed the American Rescue Plan Act (“ARPA”). The ARPA includes several provisions, such as measures that extend and expand the employee retention credit, previously enacted under the CARES Act, through December 31, 2021.

Measures not related to income-based taxes within the CARES Act include (1) allowing an employer to pay its share of Social Security payroll taxes that would otherwise be due from the date of enactment through December 31, 2020 over the following two years and (2) allowing eligible employers subject to closure due to the COVID-19 pandemic to receive a 50% credit on qualified wages against their employment taxes each quarter, with any excess credits eligible for refunds.

As there is no authoritative guidance under GAAP for accounting for grants to for-profit business entities, the Company accounts for the grant by analogy to International Accounting Standards 20 – Accounting for Government Grants and Disclosure of Government Assistance (“IAS 20”). During the three months ended June 30, 2022, the Company recorded an employee retention credit of \$1.0 million upon completion of an analysis providing reasonable assurance that it met the conditions set forth in the CARES Act and it was reasonably assured that it will receive the employee retention credit. The employee retention credit is recorded in research and development expenses and general and administrative expenses in the manner in which the qualified wages and related costs were classified. \$0.7 million and \$0.3 million have been recorded to reduce research and development and general and administrative expenses, respectively, in the accompanying condensed consolidated statement of operations and comprehensive loss for the nine months ended September 30, 2022. During the three months ended September 30, 2022, the Company received \$0.1 million of the employee retention credit. As of September 30, 2022, the employee retention credit receivable of \$0.9 million is included in prepaid expenses and other current assets in the accompanying condensed consolidated balance sheet.

### **Recently adopted accounting pronouncements**

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842), Amendments to the FASB Accounting Standards Codification* (“ASU 2016-02”), which replaces the existing guidance for leases. ASU 2016-02 requires the identification of arrangements that should be accounted for as leases by lessees. In general, for lease arrangements exceeding a twelve-month term, these arrangements must now be recognized as assets and liabilities on the balance sheet of the lessee. Under ASU 2016-02, a right-of-use asset and a lease liability will be recorded for all leases, whether operating or financing, while the income statement will reflect lease expense for operating leases and amortization/interest expense for financing leases. The balance sheet amount recorded for existing leases at the date of adoption of ASU 2016-02 must be calculated using the applicable incremental borrowing rate at the date of adoption. The Company adopted ASU 2016-02 on January 1, 2022 using the modified retrospective approach. The Company elected the package of practical expedients which allows entities to not reassess (i) whether an arrangement is or contains a lease, (ii) the classification of its leases, and (iii) the accounting for initial direct costs. Further, the Company elected, by class of underlying asset, the short-term lease exception for leases with terms of twelve months or less. In doing so, the Company did not recognize a lease liability or right-of-use asset on its consolidated balance sheets for such short-term leases. Finally, the Company elected, by class of underlying asset, the practical expedient to not separate lease and non-lease components. The Company terminated its lease agreement on December 31, 2021 for its office and laboratory space. The

Company does not have any other leases within the scope of ASU 2016-02. Therefore, the adoption of ASU 2016-02 did not have an impact on the Company's condensed consolidated financial statements and related disclosures.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* ("ASU 2019-12"), which is intended to simplify the accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. The Company adopted ASU 2019-12 on January 1, 2022. The adoption did not have a material effect on the Company's condensed consolidated financial statements.

In November 2021, the FASB issued ASU No. 2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*. This standard increases the transparency of transactions with the government that are accounted for by applying a grant or contribution accounting model, and aims to reduce diversity that currently exists in the recognition, measurement, presentation, and disclosure of government assistance received by business entities due to the lack of specific authoritative guidance in GAAP. This standard requires an entity to provide information regarding the nature of the transaction with a government and the related accounting policy used to account for this transaction, the line item on the condensed consolidated balance sheet and condensed consolidated statement of operations and comprehensive loss that are affected by the transaction and the amounts applicable to each financial statement line item, and the significant terms and conditions of the transaction, including commitments and contingencies. The Company adopted ASU 2021-10 on January 1, 2022 using the prospective approach. The adoption did not have a material effect on the Company's condensed consolidated financial statements.

#### Use of estimates

The preparation of the unaudited condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Significant estimates contained within these financial statements include, but are not limited to, the accruals of research and development expenses, share-based awards utilized for stock-based compensation purposes and, prior to the Business Combination, the estimated fair value of the Company's common stock and warrant liability. The Company bases its estimates on historical experience, known trends and other market-specific or other relevant factors that it believes to be reasonable under the circumstances. On an ongoing basis, management evaluates its estimates, as there are changes in circumstances, facts and experience. Actual results may differ materially from those estimates or assumptions.

#### Restricted cash

Restricted cash amounted to \$0 and \$0.3 million as of September 30, 2022 and December 31, 2021, which consisted of \$0.1 million to collateralize the Company's credit card and \$0.2 million to collateralize its irrevocable standby letter of credit for its facility lease arrangement as of December 31, 2021. The facility lease arrangement was terminated on December 31, 2021.

A reconciliation of the cash and cash equivalents and restricted cash as presented in the Company's condensed consolidated balance sheets to the Company's condensed consolidated statements of cash flows is as follows (in thousands):

	September 30, 2022	December 31, 2021
Cash and cash equivalents	\$ 101,737	\$ 136,627
Restricted cash	-	323
Total cash, cash equivalents and restricted cash	<u>\$ 101,737</u>	<u>\$ 136,950</u>

#### Emerging growth company status

The Company qualifies as an "emerging growth company" ("EGC"), as defined in the Jumpstart Our Business Startups Act ("JOBS Act"), and may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not EGCs. The Company may take advantage of these exemptions until it is no longer an EGC under Section 107 of the JOBS Act, which provides that an EGC can take advantage of the extended transition period afforded by the JOBS Act for the implementation of new or revised accounting standards. The Company has elected to avail itself of the extended transition period and, therefore, while the Company is an EGC it will not be subject to new or revised accounting standards at the same time that they become applicable to other public companies that are not EGCs, unless it chooses to early adopt a new or revised accounting standard. As a result of this election, the condensed consolidated financial statements may not be comparable to companies that comply with public company FASB standards' effective dates.

## 5. Fair value measurements

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

<b>September 30, 2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Money market funds in cash and cash equivalents	<u>\$ 100,737</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,737</u>
<b>December 31, 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Money market funds in cash and cash equivalents	<u>\$ 135,631</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 135,631</u>

The values of cash equivalents are classified as Level 1 measurements under the fair value hierarchy as these assets have been valued using quoted market prices in active markets and do not have any restrictions on redemption. As of September 30, 2022 and December 31, 2021, cash equivalents were comprised of funds in money market accounts. There were no transfers or reclassifications between Level 1, Level 2 and Level 3 during the three and nine months ended September 30, 2022.

## 6. Accrued expenses and other current liabilities

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

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Accrued payroll and benefits	\$ 179	\$ 2,603
Accrued professional fees	87	233
Accrued external research and development	59	4,031
Accrued interest	-	17
	<u>\$ 325</u>	<u>\$ 6,884</u>

## 7. Corporate restructuring

In October 2021, the Company announced a restructuring plan that resulted in a reduction of the Company's workforce by 11 positions, or approximately 26% of the Company's then workforce. A majority of these employees' separation from the Company occurred in mid-October 2021, and the remaining affected employees transitioned by the end of 2021. As a result, the Company incurred costs of \$1.4 million during the year ended December 31, 2021 related to severance benefits for the affected employees.

In February 2022, the Company announced an additional restructuring plan to reduce the Company's operations to preserve financial resources, resulting in a reduction of the Company's workforce by 24 positions, or approximately 80% of the Company's then workforce, by the end of the second quarter of 2022. As a result, the Company incurred costs of \$1.7 million during the three months ended March 31, 2022 related to severance benefits for the affected employees.

The severance benefits for both restructuring plans include severance payments, limited reimbursement of medical insurance premiums, outplacement services and other restructuring costs and expenses. Each affected employee's eligibility for the severance benefits is contingent upon such employee's execution (without revocation, as applicable) of a separation agreement, which includes a general release of claims against the Company. The October 2021 restructuring plan was completed by the end of 2021. The February 2022 restructuring plan was completed by the end of the second quarter of 2022.

Of the \$1.7 million in costs recognized related to the February 2022 restructuring plan, \$1.0 million and \$0.7 million have been charged to research and development and general and administrative expenses, respectively, in the accompanying condensed consolidated statement of operations and comprehensive loss for the nine months ended September 30, 2022. During the nine months ended September 30, 2022, the Company paid \$2.6 million in severance benefits to separating employees related to the restructuring plans, with \$0.9 million related to the October 2021 restructuring plan and \$1.7 million related to the February 2022 restructuring plan. As of September 30, 2022 and December 31, 2021, unpaid severance costs of \$18 thousand and \$0.9 million, respectively, are included in accrued expenses and other current liabilities in the accompanying condensed consolidated balance sheet for each period.



## 8. Term loan

In February 2019, the Company entered into a term loan facility of up to \$10.0 million (the “Term Loan”) with Silicon Valley Bank (“SVB”). The proceeds were used for general corporate and working capital purposes. Concurrent with the Term Loan, the Company issued SVB warrants to purchase 15,257 shares of the Company’s Series A preferred stock at an exercise price of \$5.46. The Company repaid the Term Loan in whole in September 2022. As of September 30, 2022 and December 31, 2021, the Company had \$0 and \$5.4 million, respectively, in principal outstanding under the Term Loan.

The Term Loan was governed by a loan and security agreement, entered into in February 2019, between the Company and SVB (the “SVB Loan Agreement”). The SVB Loan Agreement provided for two separate tranches under which the Company could borrow. In April 2019, the Company borrowed \$7.5 million under the first tranche, and in December 2019, the Company borrowed \$2.5 million under the second tranche.

The Term Loan initially matured in July 2022 and accrued interest at a floating rate per annum equal to the greater of 3.75% or the prime rate minus 1.5% (4.0% as of September 15, 2022, the prepayment date). The Term Loan initially provided for monthly interest-only payments until July 2020. Thereafter, payments were payable in equal monthly installments of principal, plus all accrued and unpaid interest.

In April 2020, the Company entered into a deferral agreement with SVB to defer scheduled principal repayments on its Term Loan by six months. The deferral agreement was offered to the Company in connection with SVB’s venture debt relief initiative, which was started due to the COVID-19 pandemic. The Company’s first principal payment under its credit facility occurred in February 2021. The required monthly interest-only payment was not impacted by the deferral. The Term Loan’s new maturity date was in January 2023. After considering the debt guidance in ASC 470, the Company concluded that it did not meet the indicators of a troubled debt restructuring and accounted for the deferral of principal payment as a debt modification. Since there were no fees paid to SVB in connection with the deferral agreement, the Company did not record any adjustments to the Company’s condensed consolidated financial statements related to this deferral.

The Company prepaid the Term Loan in whole in September 2022 upon 5 days’ prior written notice to SVB. The prepayment of the Term Loan was subject to a prepayment charge of 0.5% of the then outstanding principal balance. At the end of the loan term, the Company was also required to pay a final end of term charge to SVB in the amount of 4.0% of the aggregate original principal amount advanced by SVB. The amount of the end of term charge had been accrued over the loan term as interest expense. The Company paid the end of term charge of \$0.4 million in September 2022 upon prepayment of the Term Loan in whole. As of September 30, 2022 and December 31, 2021, the Company had a liability related to the end of term charge of \$0 and \$0.4 million, respectively, which has been classified within other long-term liabilities as of December 31, 2021.

Interest expense for the Term Loan was \$41 thousand and \$0.1 million for the three months ended September 30, 2022 and 2021, respectively, and \$0.2 million and \$0.4 million for the nine months ended September 30, 2022 and 2021, respectively.

## 9. Convertible promissory notes

In August 2020, Old Gemini entered into a purchase agreement with various investors to issue \$14.0 million in convertible promissory notes (the “Notes”). The Notes accrued simple interest at 8% per annum. The Company determined that a beneficial conversion feature (“BCF”) existed and should be recognized on the issuance date. The Company recorded the Notes at the original issuance price, net of the BCF discount. The BCF discount was accreted to the face value of the Notes over the period from the issuance date until the maturity date, offset against interest expense.

The Notes served as a bridge loan prior to the PIPE Financing that was completed in connection with the closing of the Business Combination. The Notes were intended to automatically convert into shares of common stock issued in the PIPE Financing at a per share conversion price equal to the lowest per share price paid for such shares of common stock in the PIPE Financing. The Notes were amended to allow for the principal and interest to convert to shares of Series B preferred stock prior to the closing of the Business Combination. Accordingly, immediately prior to the closing of the Business Combination, the outstanding principal and interest under the Notes converted into 2,341,316 shares of Series B preferred stock at a per share conversion price of \$6.1986, and the Notes liability was extinguished. The Company recorded a loss on conversion of convertible notes of \$0.7 million for the difference between the reacquisition price of the Notes and the net carrying amount of the Notes in the condensed consolidated statements of operations and comprehensive loss for the three months ended March 31, 2021.

Interest expense for the Notes was \$0 for each of the three months ended September 30, 2022 and 2021 and \$0 and \$1.7 million for the nine months ended September 30, 2022 and 2021, respectively.

## 10. Stockholders' Equity

The condensed consolidated statement of stockholders' equity has been retroactively adjusted for all periods presented to reflect the Business Combination and reverse recapitalization as defined in Note 3, *Business Combination*.

### *Preferred Stock*

Upon closing of the Business Combination and pursuant to the terms of the Company's Amended and Restated Certificate of Incorporation entered into on February 5, 2021 (the "Certificate of Incorporation"), the Company authorized 10,000,000 shares of preferred stock with a par value \$0.0001 per share. The Company's board of directors has the authority, without further action by the stockholders, to issue such shares of preferred stock in one or more series, to establish from time to time the number of shares to be included in each such series, and to fix the designations, powers, voting, and other rights, preferences and privileges of the shares. There were no issued and outstanding shares of preferred stock as of September 30, 2022.

In connection with the closing of the Business Combination, all previously issued and outstanding Series A convertible preferred stock and Series B convertible preferred stock were exchanged for common stock of the Company pursuant to the Conversion Ratio established in the Merger Agreement. All fractional shares were rounded down.

### *Common Stock*

Pursuant to the terms of the Company's Certificate of Incorporation, the Company authorized 250,000,000 shares of common stock with a par value of \$0.0001 per share.

As discussed in Note 3, *Business Combination*, the Company has retroactively adjusted the shares issued and outstanding prior to February 5, 2021 to give effect to the Conversion Ratio established in the Merger Agreement to determine the number of shares of common stock into which they were converted.

### *Voting*

Each share of common stock entitles the holder to one vote on all matters submitted to a vote of the Company's stockholders.

### *Dividends*

Common stockholders are entitled to receive dividends, as may be declared by the board of directors. No dividends have been declared to date.

## **11. Equity incentive plans**

### ***2017 Old Gemini Equity Incentive Plan***

Old Gemini's 2017 Stock Option and Grant Plan, as amended (the "2017 Plan"), provided for the Company to grant qualified incentive options, nonqualified options, stock grants and other stock-based awards to employees and non-employees to purchase the Company's common stock. The 2017 Plan was administered by the board of directors, or at the discretion of the board of directors, by a committee of the board of directors.

The exercise price for incentive options was determined at the discretion of the board of directors. All incentive options granted to any person possessing less than 10% of the total combined voting power of all classes of stock may not have an exercise price of less than 100% of the fair market value of the common stock on the grant date. All incentive options granted to any person possessing more than 10% of the total combined voting power of all classes of stock may not have an exercise price of less than 110% of the fair market value of the common stock on the grant date.

The option term for incentive awards may not be greater than ten years from the date of the grant. Incentive options granted to persons possessing more than 10% of the total combined voting power of all classes of stock may not have an option term of greater than five years from the date of the grant. The vesting period for equity-based awards under the 2017 Plan was determined at the discretion of the board of directors, which was generally four years. For awards granted to employees and non-employees with four-year vesting terms, 25% of the options vest on the first anniversary of the grant date and the remaining options vest equally each month for three years thereafter.

Upon completion of the Business Combination, the Company ceased granting awards under the 2017 Plan.

### ***Conversion of Awards***

Each Old Gemini option from the 2017 Plan and each option from Old Gemini's 2015 Stock Option and Grant Plan (the "2015 Plan") that was outstanding immediately prior to the Business Combination, whether vested or unvested, was converted into an option to purchase a number of shares of common stock (each such option, an "Exchanged Option") equal to the product (rounded down to the nearest whole number) of (i) the number of shares of Old Gemini common stock subject to such Old Gemini option immediately prior to the Business Combination and (ii) the Conversion Ratio, at an exercise price per share (rounded up to the nearest whole cent) equal to (A) the exercise price per share of such Old Gemini option immediately prior to the consummation of the Business Combination, divided by (B) the Conversion Ratio. Each Exchanged Option will continue to be governed by the same terms and conditions (including vesting and exercisability terms) as were applicable to the corresponding former Old Gemini option immediately prior to the consummation of the Business Combination. All stock option activity was retroactively restated to reflect the Exchanged Options.

As of the Closing Date, the 10,567,508 options and 163,157 restricted stock units ("RSUs") outstanding under the 2017 Plan and 2015 Plan were converted into 2,303,309 options and 35,561 RSUs, respectively, upon completion of the Business Combination after the effect of the Conversion Ratio. This effect of the Conversion Ratio has been retroactively adjusted throughout the Company's unaudited condensed consolidated financial statements.

### ***2021 Gemini Equity Incentive Plan***

In February 2021, FSDC's stockholders approved the 2021 Stock Option and Incentive Plan (the "2021 Plan"), pursuant to which 4,264,341 shares of common stock were reserved for issuance. The 2021 Plan provides for the Company to grant incentive stock options or nonqualified stock options for the purchase of common stock, stock appreciation rights, restricted stock awards, restricted stock units, unrestricted stock awards, cash-based awards and dividend equivalent rights to employees, officers, directors and consultants of Gemini. Incentive stock options may only be granted to employees. The 2021 Plan is administered by the plan administrator, which is the Compensation Committee of Gemini's board of directors, provided therein, which has discretionary authority, subject only to the express provisions of the 2021 Plan, to interpret the 2021 Plan; determine eligibility for and grant awards; determine form of settlement of awards (whether in cash, shares of stock, other property or a combination of the foregoing), determine, modify or waive the terms and conditions of any award; prescribe forms, rules and procedures; and otherwise do all things necessary to carry out the purposes of the 2021 Plan. The number of shares of common stock reserved for issuance under the 2021 Plan automatically increases on January 1 of each calendar year, starting on January 1, 2022 and continuing through January 1, 2031, in an amount equal to 4% of the total number of shares of the Company's capital stock outstanding on the last day of the calendar month before the date of each automatic increase, or a lesser number of shares determined by the Company's board of directors. Subject to this provision, the Company added 1,728,326 shares available for grant to the 2021 Plan effective January 1, 2022. As of September 30, 2022, 3,442,163 shares remained available for future issuance under the 2021 Plan.

The exercise price of each stock option granted under the 2021 Plan will be 100% of the fair market value of the underlying stock subject to the award, determined as of the date of the grant, or such higher amount as the plan administrator may determine in connection with

the grant, and the term of stock option may not be greater than ten years. The vesting and other restrictions are determined at the discretion of the plan administrator.

### **2021 Inducement Plan**

In February 2021, the Company's board of directors approved the 2021 Inducement Plan. The 2021 Inducement Plan is a non-stockholder approved stock plan under which the Company grants equity awards to induce highly-qualified prospective officers and employees who are not currently employed by the Company to accept employment and provide them with a proprietary interest in the Company. The Company intends that the 2021 Inducement Plan be reserved for persons to whom the Company may issue securities without stockholder approval as an inducement pursuant to Rule 5635(c)(4) of the Marketplace Rules of the NASDAQ Stock Market, Inc. The 2021 Inducement Plan is administered by the board of directors or the Compensation Committee of the board, which determines the types of awards to be granted, including the number of shares subject to the awards, the exercise price and the vesting schedule. Awards granted under the 2021 Inducement Plan expire no later than ten years from the date of grant. As of September 30, 2022, 1,159,408 shares were available for issuance under the 2021 Inducement Plan.

### **2021 Employee Stock Purchase Plan**

In July 2021, the Company's board of directors approved the 2021 Employee Stock Purchase Plan ("2021 ESPP"). The first offering period under the 2021 ESPP began on December 1, 2021. The Company recorded \$0 and \$22 thousand of stock-based compensation expense related to the 2021 ESPP during the three and nine months ended September 30, 2022, respectively. As of September 30, 2022, 420,591 shares remained available for future issuance under the 2021 ESPP. The number of shares of common stock reserved for issuance under the 2021 ESPP automatically increases on January 1 of each calendar year, starting on January 1, 2023 and continuing through January 1, 2031, in an amount equal to the least of (a) 1% of the total number of shares of the Company's capital stock outstanding on the last day of the calendar month before the date of each automatic increase, (b) 430,551 shares of common stock, or (c) such number of shares determined by the Company's board of directors.

### **Stock-based compensation expense**

The Company recorded stock-based compensation expense in the following expense categories of its condensed consolidated statements of operations and comprehensive loss (in thousands):

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Research and development	\$ (2)	\$ 277	\$ 675	\$ 2,236
General and administrative	943	1,382	4,598	3,878
Total stock-based compensation expense	\$ 941	\$ 1,659	\$ 5,273	\$ 6,114

## **12. Net loss per share**

The following table summarizes the computation of basic and diluted net loss per share attributable to common stockholders of the Company (in thousands, except share and per share amounts):

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Net loss attributable to common stockholders	\$ (3,277)	\$ (18,551)	\$ (25,598)	\$ (54,046)
Weighted average common shares outstanding, basic and diluted	43,264,616	43,091,822	43,236,171	39,427,476
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.08)	\$ (0.43)	\$ (0.59)	\$ (1.37)

The Company's unvested restricted common shares have been excluded from the computation of basic net loss per share attributable to common stockholders.

The Company's potentially dilutive securities, which include unvested restricted stock and common stock options outstanding, have been excluded from the computation of diluted net loss per share attributable to common stockholders as the effect would be to reduce the net loss per share attributable to common stockholders. Therefore, the weighted average number of common shares outstanding used to calculate both basic and diluted net loss per share attributable to common stockholders is the same. The Company excluded the

following potential common shares from the computation of diluted net loss per share attributable to common stockholders for the periods indicated because including them would have had an anti-dilutive effect:

	As of September 30,	
	2022	2021
Unvested restricted stock	569,084	-
Common stock options outstanding	3,301,028	4,988,293
	3,870,112	4,988,293

### 13. Commitments and contingencies

#### Commitments

The Company's long-term contractual obligations include commitments entered into in the normal course of business. The Company's most significant contracts relate to agreements with clinical research organizations ("CROs") for clinical trials and preclinical studies and clinical manufacturing organizations ("CMOs"), which the Company enters into in the normal course of business. The contracts with CROs and CMOs are generally cancellable, with notice, at the Company's option. The Company also has commitments related to debt obligations, license agreements and other purchase obligations.

#### *License agreements*

In April 2017, the Company entered into a Research Collaboration and License Agreement with Sanquin Blood Supply Foundation ("Sanquin") (the "2017 License Agreement") to develop antibodies that bind and enhance the activity of CFH. As consideration for the license, the Company paid a one-time, non-refundable upfront payment of \$0.1 million. The 2017 License Agreement includes additional consideration upon the achievement of certain development and commercial milestones (i.e., once net sales targets exceed certain thresholds) totaling up to an aggregate amount of \$29.0 million. Finally, the Company is required to make royalty payments of between 1.25% and 2.50% of net product sales if commercialization is achieved. On March 7, 2022, the Company entered into an amendment to the 2017 License Agreement (the "2022 Amendment") to clarify that certain patent rights directed to CFH potentiating antibodies are jointly owned by the Company and Sanquin. Under the 2022 Amendment, Sanquin granted the Company an exclusive (even as to Sanquin) royalty-bearing license, with the right to sublicense through multiple tiers, to the portion of these patent rights owned by Sanquin. The condensed consolidated financial statements as of September 30, 2022 do not include liabilities with respect to this agreement as the Company has not yet generated revenue and the achievement of certain milestones is not deemed probable.

In June 2018, the Company entered into a Cell Line License Agreement with Life Technologies Corporation (the "2018 License Agreement") to obtain non-exclusive use of 293 H cells in support of GEM-103 manufacturing activities. As consideration for the license, the Company paid a one-time, non-refundable, non-creditable initial license fee of \$0.1 million. In addition, an annual non-refundable, non-creditable development fee of \$0.1 million is due on each anniversary date. The 2018 License Agreement includes additional consideration of \$0.3 million contingent upon future commercialization of each licensed product. The condensed consolidated financial statements as of September 30, 2022 do not include a liability with respect to the additional consideration under this agreement as the Company has not yet generated revenue.

In March 2019, the Company entered into a second Cell Line License Agreement with Life Technologies Corporation (the "2019 License Agreement") to obtain non-exclusive use of a CTS Viral Production cell line for producing genetically engineered adeno-associated virus particles to be used in human therapeutics. In October 2021, the Company terminated the 2019 License Agreement. As consideration for the license, the Company paid a one-time, non-refundable, non-creditable initial license fee of \$0.1 million. In addition, an annual non-refundable, non-creditable development fee of \$0.1 million was due on each anniversary date, beginning on the second anniversary date. The 2019 License Agreement included additional consideration of \$0.4 million contingent upon future commercialization of each licensed product. The condensed consolidated financial statements as of September 30, 2022 do not include a liability with respect to the additional consideration under this agreement as the Company has not yet generated revenue.

In October 2018, the Company entered into a Master License Agreement with Avitide, Inc. (the "2018 Master License Agreement") to license, on an exclusive basis, certain of Avitide's affinity chromatography resins comprised of proprietary ligands for affinity purification of biopharmaceuticals. As consideration for the license, the Company paid an upfront license fee of \$0.2 million. In addition, an annual license fee of \$0.1 million is due on each anniversary date. The 2018 Master License Agreement includes additional consideration upon the achievement of certain development, commercial and sales milestones totaling up to \$0.7 million, \$2.2 million and \$7.0 million, respectively. Finally, the Company is required to make royalty payments of 1.25% of net product sales if commercialization is achieved. The condensed consolidated financial statements as of September 30, 2022 do not include liabilities with respect to additional consideration under this agreement as the Company has not yet generated revenue and the achievement of certain milestones is not deemed probable.

In June 2019, the Company entered into a GPEX-Derived Cell Line Sale Agreement with Catalent Pharma Solutions, LLC (the "2019 Sale Agreement") to purchase all right, title and interest in and to the GPEX Cell Line. As consideration for the GPEX Cell Line, the

Company is required to make one-time milestone payments totaling up to \$1.3 million in aggregate, as well as a contingent annual fee upon commercialization (1% of net sales, or \$0.1 million, whichever is greater) and other fees after certain milestones are reached. Certain milestone payments may be waived if Catalent manufactures >50% of the total product required for the relevant clinical trial. The condensed consolidated financial statements as of September 30, 2022 do not include liabilities with respect to this agreement as the Company has not yet generated revenue and the achievement of certain milestones is not deemed probable.

## **Contingencies**

### *Indemnification agreements*

In the ordinary course of business, the Company may provide indemnification of varying scope and terms to vendors, lessors, business partners and other parties with respect to certain matters including, but not limited to, losses arising out of breach of such agreements or from intellectual property infringement claims made by third parties. In addition, the Company has entered into indemnification agreements with members of its board of directors and executive officers that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is, in many cases, unlimited. To date, the Company has not incurred any material costs as a result of such indemnifications. The Company is not aware of any indemnification arrangements could have a material effect on its financial position, results of operations or cash flows, and it has not accrued any liabilities related to such obligations in its condensed consolidated financial statements as of September 30, 2022.

### *Legal proceedings*

From time to time, the Company may become involved in legal proceedings arising in the ordinary course of business. As of September 30, 2022, the Company was not a party to any material legal matters or claims.

## **14. Related party transactions**

The Company engaged a firm managed by an executive of the Company for professional services related to accounting, finance and other administrative functions. There were no costs incurred under this arrangement for either of the three months ended September 30, 2022 and 2021. For the nine months ended September 30, 2022 and 2021, the costs incurred under this arrangement totaled \$0 and \$0.1 million, respectively, of which \$0.1 million was recorded in stockholders' equity as a reduction to additional paid-in capital as a result of the Business Combination and \$10 thousand was recorded as general and administrative expense in the accompanying condensed consolidated statements of operations and comprehensive loss for the nine months ended September 30, 2021. There were no amounts owed under this arrangement as of September 30, 2022 and December 31, 2021. The executive of the Company associated with this firm resigned from the Company in February 2021.

## 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 notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q. Some of the information contained in this discussion and analysis or set forth elsewhere in this Quarterly Report on Form 10-Q, including information with respect to our plans and strategy for our business and related financing, includes forward-looking statements that involve risks and uncertainties. As a result of many factors, our actual results could differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.*

### Overview

We are a clinical-stage precision medicine company developing novel therapeutic compounds to treat genetically defined, age-related macular degeneration (“AMD”). Our lead product candidate, GEM103, is a recombinant form of the human complement factor H protein (“CFH”) and is designed to address complement hyperactivity and overall dysregulation caused by loss of function mutations thus restoring retinal health in patients with AMD. Native CFH serves multiple functions in maintaining retinal health, including regulating lipid metabolism in the retina, protecting the retina against lipid and protein by-products of oxidative stress, and regulating the complement system, which is part of the innate immune system. This multifaceted regulation plays an integral role in engagement and maintenance of complement-mediated immune responses that are involved in pathogen defense and cellular debris clearance.

In January 2022, we announced that we discontinued both of our Phase 2a clinical trials of GEM103, the ReGAtta study and the GEM103 as an Add-On to Anti-VEGF Therapy for the Treatment of Wet-AMD study.

In February 2022, we announced a corporate restructuring and that we had initiated a process to evaluate strategic alternatives. After a comprehensive review of strategic alternatives, including identifying and reviewing potential candidates for a strategic transaction, on August 9, 2022, we entered into an Agreement and Plan of Merger and Reorganization (the “Disc Merger Agreement”) with Disc Medicine, Inc., a Delaware corporation (“Disc”), and Gemstone Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of ours (“Gem Merger Sub”), pursuant to which, subject to the satisfaction or waiver of the conditions therein, Gem Merger Sub will merge with and into Disc (the “Disc Merger”), with Disc continuing as the surviving company and a wholly-owned subsidiary of the Company. The Disc Merger was unanimously approved by our board of directors (the “Board”), and the Board resolved to recommend approval of the Disc Merger Agreement to our shareholders.

The transaction is expected to close in the fourth quarter of 2022. The closing of the Disc Merger is subject to approval by our stockholders and the stockholders of Disc as well as other customary closing conditions, including the effectiveness of a registration statement on Form S-4 filed with the SEC in connection with the transaction and Nasdaq’s approval of the listing of the shares of the Company’s common stock to be issued in connection with the transaction. If we are unable to satisfy certain closing conditions or if other mutual closing conditions are not satisfied, Disc will not be obligated to complete the Disc Merger. The Disc Merger Agreement contains certain termination rights of each of us and Disc. Under certain circumstances detailed in the Disc Merger Agreement, we could be required to pay Disc a termination fee of \$3,000,000 or Disc could be required to pay us a termination fee of \$7,800,000. In addition, in certain circumstances upon the termination of the Disc Merger Agreement, we could be required to pay the costs and expenses of Disc in an amount not to exceed \$750,000, or Disc could be required to pay our costs and expenses in an amount not to exceed \$750,000. If the merger is completed, the business of Disc will continue as the business of the combined company.

Subject to the terms and conditions of the Disc Merger Agreement, at the effective time of the Disc Merger (the “Effective Time”), each then outstanding share of Disc common stock (including shares of Disc common stock issued upon conversion of Disc preferred stock and shares of Disc common stock issued in the concurrent financing transaction) will be converted into the right to receive a number of shares of the Company’s common stock (subject to the payment of cash in lieu of fractional shares and after giving effect to a reverse stock split of the Company’s common stock) equal to the exchange ratio as further described in the Disc Merger Agreement (the “Exchange Ratio”). Pursuant to the Disc Merger Agreement, the Exchange Ratio is calculated using a formula intended to allocate existing Company and Disc securityholders a percentage of the combined company. The final Exchange Ratio is subject to adjustment prior to closing of the merger based on the Company’s net cash at closing and the aggregate proceeds from the sale of Disc common stock in the concurrent Disc financing transaction. Further, at the Effective Time, each person who as of immediately prior to the Effective Time was a stockholder of record of Gemini or had the right to receive our common stock will be entitled to receive a contractual contingent value right (“CVR”) issued by the Company subject to and in accordance with the terms and conditions of a Contingent Value Rights Agreement between the Company, the holder’s representative and the rights agent (the “CVR Agreement”), representing the contractual right to receive payments from the post-closing combined company upon receipt of certain proceeds derived from consideration paid as a result of the disposition of our pre-Disc Merger assets, net of certain permitted deductions for expenses.

Concurrently with the execution and delivery of the Disc Merger Agreement, certain parties have entered into agreements with Disc pursuant to which they have agreed, subject to the terms and conditions of such agreements, to purchase prior to the consummation of the Disc Merger shares of Disc common stock for an aggregate purchase price of approximately \$53.5 million. Shares of Disc common

stock issued pursuant to this financing transaction will be converted into shares of the Company's common stock in the Disc Merger in accordance with the Exchange Ratio.

The Company's future operations are highly dependent on the success of the Disc Merger and there can be no assurances that the Disc Merger will be successfully consummated. In the event that we do not complete the transaction with Disc, we may explore strategic alternatives, including, without limitation, another strategic transaction and/or pursue a dissolution and liquidation of the Company.

Since inception in 2015, we have devoted substantially all our efforts and financial resources to organizing and staffing our company, business planning, raising capital, discovering product candidates and securing related intellectual property rights and conducting research and development activities for our product candidates. We do not have any products approved for sale, and we have not generated any revenue from product sales. We may never be able to develop or commercialize a marketable product.

To the extent we continue to pursue clinical development of GEM103 or any other product candidate, our ability to generate revenue from product sales sufficient to achieve profitability will depend heavily on the successful development and eventual commercialization of one or more of our product candidates. We have not yet successfully completed any pivotal clinical trials, nor have we obtained any regulatory approvals, manufactured a commercial-scale drug, or conducted sales and marketing activities.

### ***Macroeconomic Conditions***

We are currently operating in a period of economic uncertainty and capital markets disruption, which has been significantly impacted by geopolitical instability, including in Europe, and record inflation. Our business, financial condition and results of operations could be materially and adversely affected by any negative impact on the global economy and capital markets resulting from these global economic conditions, particularly if such conditions are prolonged or worsen.

Economic uncertainty in various global markets, including the U.S. and Europe, caused by political instability and conflict and economic challenges caused by the ongoing COVID-19 pandemic, have led to market disruptions, including significant volatility in commodity prices, credit and capital market instability and supply chain interruptions, which have caused record inflation globally.

We have not incurred impairment losses in the carrying values of our assets as a result of these macroeconomic conditions, and we are not aware of any specific related event or circumstance that would require us to revise our estimates reflected in our condensed consolidated financial statements. Although, to date, our business has not been materially impacted by these global economic and geopolitical conditions, it is impossible to predict the extent to which our operations will be impacted in the short and long term, or the ways in which such instability could impact our business and results of operations. The extent and duration of these market disruptions, whether as a result of the military conflict between Russia and Ukraine, geopolitical tensions, record inflation or otherwise, are impossible to predict, but could be substantial. Furthermore, the ongoing COVID-19 pandemic and related impacts have resulted in and will likely continue to result in significant disruptions to the global economy and capital markets around the world. We cannot predict the future progression or full impact of the outbreak and its effects on our business and operations. Any such disruptions may also magnify the impact of other risks described in this report.

### ***Business Combination***

On February 5, 2021, FSDC consummated a previously announced business combination pursuant to the terms of the Agreement and Plan of Merger, dated as of October 15, 2020 (as amended, supplemented or otherwise modified from time to time, the "Merger Agreement"), by and among Old Gemini, Stockholders' Representative, and Merger Sub (the "Business Combination").

FSDC was incorporated in Delaware on June 25, 2020 and was formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses.

On the day prior to the Closing Date, Old Gemini changed its name to "Gemini Therapeutics Sub, Inc." Pursuant to the Merger Agreement, on the Closing Date, (i) FSDC changed its name to "Gemini Therapeutics, Inc.", and (ii) Old Gemini merged with and into Merger Sub (the "Merger"), with Old Gemini as the surviving company in the Merger and, after giving effect to such Merger, Old Gemini becoming a wholly-owned subsidiary of Gemini. Upon the closing of the Business Combination, and pursuant to the terms of the Merger Agreement, the existing shareholders of Old Gemini exchanged their interests for shares of common stock of Gemini.

In connection with the Business Combination, certain investors purchased an aggregate of \$95.1 million of our Common Stock in a private placement of public equity (the "PIPE Financing"). Together with FSDC's cash resources and funding of the PIPE Financing, we received net proceeds of approximately \$195.9 million.

We accounted for the Business Combination as a reverse recapitalization, which is the equivalent of Old Gemini issuing stock for the net assets of FSDC, accompanied by a recapitalization, with FSDC treated as the acquired company for accounting purposes. The net



assets of FSDC were stated at historical cost with no goodwill or other intangible assets recorded. Reported results from operations included herein prior to the Business Combination are those of Old Gemini. The shares and corresponding capital amounts and loss per share related to Old Gemini's outstanding convertible preferred stock and common stock prior to the Business Combination have been retroactively restated to reflect the conversion ratio established in the Merger Agreement (1.00 Old Gemini share for 0.2180 shares of our company (the "Conversion Ratio").

For additional information on the Business Combination, please read Note 3, *Business Combination*, to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

## **Financial Operations Overview**

### ***Revenue***

We have not generated any revenue since inception and do not expect to generate any revenue from the sale of products in the near future, if at all. If our development efforts were to continue and were successful and we were to commercialize any of our product candidates, or if we enter into collaboration or license agreements with third parties, we may generate revenue in the future from product sales, as well as upfront, milestone and royalty payments from such collaboration or license agreements, or a combination thereof.

### ***Operating expenses***

#### ***Research and development expenses***

Research and development expenses consist primarily of costs incurred for research activities, including drug discovery efforts and the clinical development of our product candidates. We expense research and development costs as incurred, which include:

- expenses incurred to conduct the necessary preclinical studies and clinical trials required to obtain regulatory approval;
- expenses incurred under agreements with CROs that are primarily engaged in the oversight and conduct of our drug discovery efforts, preclinical studies, and clinical trials;
- expenses incurred under agreements with CMOs that are primarily engaged to provide preclinical and clinical drug substance and product for our research and development programs;
- other costs related to acquiring and manufacturing materials in connection with our drug discovery efforts and preclinical studies and clinical trial materials, including manufacturing validation batches, as well as investigative sites and consultants that conduct our clinical trials, preclinical studies and other scientific development services;
- payments made in cash or equity securities under third-party licensing, acquisition and option agreements;
- employee-related expenses, including salaries and benefits, travel and stock-based compensation expense for employees engaged in research and development functions; and
- costs related to comply with regulatory requirements.

We recognize external development costs as incurred. Any advance payments that we make for goods or services to be received in the future for use in research and development activities are recorded as prepaid expenses. Such amounts are expensed as the related goods are delivered or the related services are performed, or until it is no longer expected that the goods will be delivered or the services rendered. We estimate and accrue for the value of goods and services received from CROs, CMOs and other third parties each reporting period based on an evaluation of the progress to completion of specific tasks using information provided to us by our service providers. This process involves reviewing open contracts and purchase orders, communicating with our personnel to identify services that have been performed on our behalf and estimating the level of service performed and the associated cost incurred for the service when we have not yet been invoiced or otherwise notified of actual costs.

We do not track our research and development expenses on a program-by-program basis. Our direct external research and development expenses consist primarily of external costs, such as fees paid to outside consultants, CROs, CMOs and research laboratories in connection with our preclinical development, process development, manufacturing and clinical development activities. We do not allocate employee costs, costs associated with our discovery efforts, laboratory supplies, and facilities, including depreciation or other indirect costs, to specific programs because these costs are deployed across multiple programs and, as such, are not separately classified. We use internal resources primarily to conduct our research and discovery as well as for managing our preclinical development, process

development, manufacturing and clinical development activities. These employees work across multiple programs and, therefore, we do not track their costs by program.

Research and development activities have historically been central to our business model. We anticipate that our research and development expenses will decrease in 2022 compared to 2021 due to our planned reduced clinical efforts in 2022 and restructuring plans implemented in connection with our exploration of strategic alternatives. If we were to continue to pursue development efforts and we believe a regulatory approval of a product candidate appears likely, we would anticipate an increase in payroll and other expenses as a result of our preparation of regulatory filings and precommercial activities.

At this time, we cannot reasonably estimate or know the nature, timing and costs of the efforts that would be necessary to complete the preclinical and clinical development of any of our product candidates or when, if ever, material net cash inflows may commence from any of our product candidates. The successful development and commercialization of any of our product candidates is highly uncertain. This uncertainty is due to the numerous risks and uncertainties associated with product development and commercialization, including the uncertainty of the following:

- the scope, progress, timing, outcome and costs of any continued preclinical development activities, clinical trials and other related development activities;
- delays, suspensions, or other setbacks or interruptions encountered, including as a result of the ongoing COVID-19 pandemic;
- establishing an appropriate safety and efficacy profile with any Investigational New Drug application (“IND”) enabling studies and obtaining clearance for future IND applications;
- successful patient enrollment in and the initiation and completion of any clinical trials;
- the timing, receipt and terms of any marketing approvals from applicable regulatory authorities including the U.S. Food and Drug Administration (“FDA”) and non-U.S. regulatory authorities;
- the extent of any required post-marketing approval commitments to applicable regulatory authorities;
- establishing clinical and commercial manufacturing capabilities or making arrangements with third-party manufacturers in order to ensure that we or our third-party manufacturers are able to make and scale our products successfully;
- development and timely delivery of clinical-grade and commercial-grade drug formulations that can be used in our clinical trials and for commercial launch;
- obtaining, maintaining, defending and enforcing patent claims and other intellectual property rights;
- significant and changing government regulation;
- launching commercial sales of our product candidates, if and when approved, whether alone or in collaboration with others; and
- maintaining a continued acceptable safety profile of our product candidates following approval, if any, of our product candidates.

A change in any of these variables with respect to any of our programs would significantly change the costs, timing and viability associated with that program.

#### *General and administrative expenses*

General and administrative expenses consist primarily of employee-related expenses, including salaries and related benefits, travel and stock-based compensation for personnel in executive, business development, finance, human resources, legal, information technology and administrative functions. General and administrative expenses also include insurance costs and professional fees for legal, patent, consulting, investor and public relations, accounting and audit services. We expense general and administrative costs as incurred.

We anticipate that our general and administrative expenses will decrease in 2022 as compared to 2021 due to restructuring plans we implemented. If we were to continue product development efforts and at any point in the future we believe a regulatory approval of a product candidate appears likely, we would anticipate an increase in payroll and other expenses as a result of our preparation for commercial operations, especially as it relates to the sales and marketing of that product candidate. Additionally, depending on the outcome of our ongoing strategic alternative review process, there may be an increase in general and administrative expenses.

**Other income (expense)***Interest expense*

Interest expense consists of interest accrued on the Term Loan we entered into in February 2019 and, for the nine months ended September 30, 2021, interest expense for the Notes, including the accretion of the beneficial conversion feature discount recognized on the issuance date of the Notes.

*Interest income*

Interest income consists of income earned on our cash, cash equivalents and restricted cash.

*Loss on conversion of convertible notes*

Immediately prior to the closing of the Business Combination, the outstanding principal and interest under the Notes converted into shares of Series B preferred stock, and we recorded other expense equal to the difference between the reacquisition price of the Notes and the net carrying amount of the Notes in the condensed consolidated statements of operations and comprehensive loss.

**Provision for income taxes**

We have not recorded any significant amounts related to income tax expense, we have not recognized any reserves related to uncertain tax positions, nor have we recorded any income tax benefits for the majority of our net losses we have incurred to date or for our research and development tax credits.

We account for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the condensed consolidated financial statements or our tax returns. Deferred tax assets and liabilities are determined based on the difference between the financial statement carrying amounts and tax bases of existing assets and liabilities and for loss and credit carryforwards, which are measured using the enacted tax rates and laws in effect in the years in which the differences are expected to reverse. The realization of our deferred tax assets is dependent upon the generation of future taxable income, the amount and timing of which are uncertain. Valuation allowances are provided, if, based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. We continue to maintain a full valuation allowance against all of our net deferred tax assets based on our evaluation of all available evidence.

We file income tax returns in the U.S. federal tax jurisdiction and state jurisdictions and may become subject to income tax audit and adjustments by related tax authorities. Our tax return period for U.S. federal income taxes for the tax years since 2018 remain open to examination under the statute of limitations by the Internal Revenue Service and state jurisdictions. We record reserves for potential tax payments to various tax authorities related to uncertain tax positions, if any. The nature of uncertain tax positions is subject to significant judgment by management and subject to change, which may be substantial. These reserves are based on a determination of whether and how much a tax benefit taken by us in our tax filings or positions is more likely than not to be realized following the resolution of any potential contingencies related to the tax benefit. We develop our assessment of uncertain tax positions, and the associated cumulative probabilities, using internal expertise and assistance from third-party experts. As additional information becomes available, estimates are revised and refined. Differences between estimates and final settlement may occur resulting in additional tax expense. Potential interest and penalties associated with such uncertain tax positions is recorded as a component of our provision for income taxes. To date, no amounts are being presented as an uncertain tax position.

In addition, under Section 382 of the Internal Revenue Code of 1986, as amended, and corresponding provisions of state law, if a corporation undergoes an "ownership change," which is generally defined as a greater than 50% change, by value, in its equity ownership over a three-year period, the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes to offset its post-change income or taxes may be limited. We may experience ownership changes as a result of subsequent shifts in our stock ownership.

## Results of operations

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

The following table summarizes our results of operations for the three months ended September 30, 2022 and 2021 (*in thousands*):

	Three Months Ended September 30,		Change
	2022	2021	
Operating expenses:			
Research and development	\$ 438	\$ 13,455	\$ (13,017)
General and administrative	3,299	4,995	(1,696)
Total operating expenses	<u>3,737</u>	<u>18,450</u>	<u>(14,713)</u>
Loss from operations	(3,737)	(18,450)	14,713
Other income (expense):			
Interest expense	(41)	(104)	63
Interest income	499	5	494
Other expense	-	(2)	2
Other income	2	-	2
Net loss and comprehensive loss	<u>\$ (3,277)</u>	<u>\$ (18,551)</u>	<u>\$ 15,274</u>

#### Research and development expenses

Research and development expenses were \$0.4 million for the three months ended September 30, 2022, compared to \$13.5 million for the three months ended September 30, 2021. The decrease of \$13.1 million was primarily due to a decrease in external research costs related to the elimination of our lab space and a decrease in development costs related to lower clinical trial activities of GEM103. In addition, research and development personnel costs were lower period over period, including stock-based compensation, due to a decrease in headcount in our research and development function in connection with the restructuring plans we implemented.

#### General and administrative expenses

General and administrative expenses were \$3.3 million for the three months ended September 30, 2022, compared to \$5.0 million for the three months ended September 30, 2021. The decrease of \$1.7 million was primarily due to lower personnel-related costs, including stock-based compensation, due to a decrease in headcount in our general and administrative function in connection with the restructuring plans we implemented.

#### Interest expense

Interest expense was \$41 thousand and \$0.1 million for the three months ended September 30, 2022 and 2021, respectively, related to interest on the Term Loan.

#### Interest income

Interest income was \$0.5 million and \$5 thousand for the three months ended September 30, 2022 and 2021, respectively, related to interest earned on our cash, cash equivalents and restricted cash.

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

The following table summarizes our results of operations for the nine months ended September 30, 2022 and 2021 (in thousands):

	Nine Months Ended September 30,		Change
	2022	2021	
Operating expenses:			
Research and development	\$ 12,822	\$ 36,083	\$ (23,261)
General and administrative	13,326	15,177	(1,851)
Total operating expenses	<u>26,148</u>	<u>51,260</u>	<u>(25,112)</u>
Loss from operations	(26,148)	(51,260)	25,112
Other income (expense):			
Interest expense	(155)	(2,073)	1,918
Interest income	657	11	646
Loss on conversion of convertible notes	-	(711)	711
Other expense	-	(13)	13
Other income	48	-	48
Net loss and comprehensive loss	<u>\$ (25,598)</u>	<u>\$ (54,046)</u>	<u>\$ 28,448</u>

### Research and development expenses

Research and development expenses were \$12.8 million for the nine months ended September 30, 2022, compared to \$36.1 million for the nine months ended September 30, 2021. The decrease of \$23.3 million was primarily due to a decrease in external research costs related to the elimination of our lab space and a decrease in development costs related to lower clinical trial activities of GEM103. In addition, research and development personnel costs were lower period over period, including stock-based compensation, due to both a decrease in headcount in our research and development function in connection with the restructuring plans we implemented and the employee retention credit receivable recorded during the nine months ended September 30, 2022.

### General and administrative expenses

General and administrative expenses were \$13.3 million for the nine months ended September 30, 2022, compared to \$15.2 million for the nine months ended September 30, 2021. The decrease of \$1.9 million was primarily due to lower personnel-related costs due to both a decrease in headcount in our general and administrative function in connection with the restructuring plans we implemented and the employee retention credit receivable recorded during the nine months ended September 30, 2022.

### Interest expense

Interest expense was \$0.2 million for the nine months ended September 30, 2022, compared to \$2.1 million for the nine months ended September 30, 2021. The decrease of \$1.9 million is primarily due to accretion during the nine months ended September 30, 2021 of the beneficial conversion feature discount recognized at the issuance date of the Notes in 2020.

### Interest income

Interest income was \$0.7 million and \$11 thousand for the nine months ended September 30, 2022 and 2021, respectively, related to interest earned on our cash, cash equivalents and restricted cash.

### Loss on conversion of convertible notes

The loss on conversion of convertible notes was \$0 for the nine months ended September 30, 2022, compared to \$0.7 million for the nine months ended September 30, 2021. The decrease reflects the difference between the reacquisition price of the Notes and the net carrying amount of the Notes at the time that the Notes converted into shares of Series B preferred stock immediately prior to the closing of the Business Combination.

## Liquidity and capital resources

### Sources of liquidity and capital

Since inception, we have not generated any revenue from any product sales or any other sources and have incurred significant operating losses and negative cash flows from our operations. We have not yet commercialized any of our product candidates and do not currently

expect to generate revenue from sales of any product candidates for several years. Our net loss was \$25.6 million for the nine months ended September 30, 2022. As of September 30, 2022, we had an accumulated deficit of \$210.3 million.

Prior to the Business Combination, we funded our operations primarily with proceeds from the sale of preferred stock, borrowings under convertible promissory notes and borrowings under loan agreements. In January 2020, we received gross proceeds of \$20.1 million from the sale of our preferred stock. In August 2020, we received gross proceeds of \$14.0 million from borrowings under convertible promissory notes. In February 2021, in connection with the Business Combination, we received net proceeds of \$195.9 million.

As of September 30, 2022, we had cash and cash equivalents of \$101.7 million. Continued cash generation is highly dependent on our ability to finance our operations through a combination of equity offerings, debt financings, collaboration arrangements and strategic transactions. However, our resource requirements could materially change depending on the outcome of our ongoing strategic alternative review process, including to the extent we identify and enter into any potential strategic transaction, including the outcome of the proposed merger with Disc.

Until required for use in our business, we typically invest our cash in investments that are highly liquid, readily convertible to cash with original maturities of 90 days or less at the date of purchase. We attempt to minimize the risks related to our cash and cash equivalents by maintaining balances in accounts only with accredited financial institutions and, consequently, we do not believe we are subject to unusual credit risk beyond the normal credit risk associated with ordinary commercial banking relationships.

On August 9, 2022, we entered into the Disc Merger Agreement pursuant to which, subject to the satisfaction or waiver of the conditions therein, Gem Merger Sub will merge with and into Disc, with Disc continuing as the surviving company and a wholly-owned subsidiary of the Company. The Disc Merger was unanimously approved by our Board, and the Board resolved to recommend approval of the Disc Merger Agreement to our shareholders. The closing of the Disc Merger is subject to approval by our stockholders and the stockholders of Disc and other customary closing conditions. The Company's future operations are highly dependent on the success of the proposed merger transaction with Disc.

### Cash flows

The following table summarizes our cash flows for the nine months ended September 30, 2022 and 2021 (*in thousands*):

	Nine Months Ended September 30,	
	2022	2021
Net cash used in operating activities	\$ (29,847)	\$ (47,032)
Net cash used in investing activities	-	(61)
Net cash provided by (used in) financing activities	(5,366)	192,659
Net increase (decrease) in cash, cash equivalents and restricted cash	<u>\$ (35,213)</u>	<u>\$ 145,566</u>

### Operating activities

We do not generate any cash inflows from our operating activities. Our cash flows from operating activities are significantly influenced by our use of cash for operating expenses and working capital requirements to support our business. We have historically experienced negative cash flows from operating activities as we invested in developing our platform, drug discovery efforts and related infrastructure.

During the nine months ended September 30, 2022, we used cash in operating activities of \$29.8 million, reflecting a net loss of \$25.6 million and a net change of \$9.6 million in our operating assets and liabilities, partially offset by non-cash charges of \$5.4 million. The non-cash charges consist primarily of \$5.3 million of stock-based compensation expense. The net change in our operating assets and liabilities was primarily due to an increase in deferred transaction costs and a decrease in accounts payable and accrued expenses and other current liabilities.

During the nine months ended September 30, 2021, we used cash in operating activities of \$47.0 million, reflecting a net loss of \$54.0 million, partially offset by non-cash charges of \$8.9 million and a net change of \$1.8 million in our operating assets and liabilities. The non-cash charges consist primarily of \$6.1 million of stock-based compensation expense, \$1.6 million accretion of the discount on the Notes, \$0.7 million of expense related to the conversion of the Notes and \$0.3 million of non-cash interest expense. The net change in our operating assets and liabilities was primarily due to an increase in prepaid expenses and other current currents, other assets and accrued expenses and other current liabilities, partially offset by a decrease in deferred offering costs and accounts payable.

### *Investing activities*

During the nine months ended September 30, 2022, we did not use any cash in investing activities.

During the nine months ended September 30, 2021, we used cash in investing activities of less than \$0.1 million, consisting of purchases of laboratory equipment.

### *Financing activities*

During the nine months ended September 30, 2022, net cash used in financing activities was \$5.4 million, consisting primarily of principal payments made on our term loan.

During the nine months ended September 30, 2021, net cash provided by financing activities was \$192.7 million, consisting primarily of \$195.9 million of net proceeds received in connection with the Business Combination, partially offset by principal payments made on our term loan.

### **Funding requirements**

Our primary use of cash is to fund operating expenses, which has historically been primarily related to our research and development activities. However, our resource requirements could materially change depending on the outcome of the proposed merger with Disc or the outcome of our ongoing strategic alternative review process, including to the extent we identify and enter into any other potential strategic transaction. Cash used to fund operating expenses is impacted by the timing of when we pay these expenses, as reflected in the change in our outstanding accounts payable, accrued expenses and prepaid expenses.

We currently expect our expenses to decrease in 2022 compared to 2021 due to our planned reduced clinical efforts in 2022 and the implementations of the restructurings announced in October 2021 and February 2022. To the extent we continue to pursue the development of our product candidates, the timing and amount of our operating expenditures will depend largely on our ability to:

- advance preclinical development of our early-stage programs and clinical trials of our product candidates;
- manufacture, or have manufactured on our behalf, including sourcing raw materials, our preclinical and clinical drug material and develop processes for late stage and commercial manufacturing;
- seek regulatory approvals for any product candidates that successfully complete clinical trials;
- establish a sales, marketing, medical affairs and distribution infrastructure to commercialize any product candidates for which we may obtain marketing approval and intend to commercialize on our own;
- maintain and protect our intellectual property portfolio;
- manage the costs of preparing, filing and prosecuting patent applications, maintaining and protecting our intellectual property rights, including enforcing and defending intellectual property related claims;
- manage the costs of operating as a public company; and
- realize the anticipated benefits of our restructuring plans.

Identifying potential product candidates and conducting preclinical studies and clinical trials is a time consuming, expensive and uncertain process that takes years to complete, and we may never generate the necessary data or results required to obtain marketing approval and achieve product sales. In addition, our product candidates, if approved, may not achieve commercial success. Our commercial revenues, if any, would be derived from sales of products that we do not expect to be commercially available for many years, if ever. Accordingly, we will need to obtain substantial additional funds to achieve our business objectives.

As of September 30, 2022, we had cash and cash equivalents of \$101.7 million. We believe that our cash and cash equivalents will enable us to fund our operating expenses and capital expenditure requirements through at least the next twelve months from the filing of this Quarterly Report on Form 10-Q. We have based this estimate on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we expect. However, our future resource requirements could materially change depending on the outcome of the proposed merger transaction with Disc or the outcome of our ongoing strategic alternative review process, including to the extent we identify and enter into any other potential strategic transaction in the event we are unable to complete the proposed merger transaction with Disc.

Until such time as we can generate substantial product revenue, if ever, and subject to our pursuit of a potential strategic transaction and the consummation of such potential transaction (including the proposed merger transaction with Disc), we expect to finance our operations through a combination of equity offerings, debt financings, collaborations, strategic alliances and marketing, distribution or licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, ownership interests will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of common stockholders. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making acquisitions or capital expenditures or declaring dividends. If we raise additional funds through collaborations, strategic alliances or marketing, distribution or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or drug candidates, or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings or other arrangements when needed, we may be required to delay, limit, reduce or terminate our research, product development or future commercialization efforts, or grant rights to develop and market drug candidates that we would otherwise prefer to develop and market ourselves.

### ***Working capital***

Because of the numerous risks and uncertainties associated with research, development and commercialization of pharmaceutical product candidates, we are unable to estimate the exact amount of our working capital requirements. Subject to our pursuit of a potential strategic transaction and the consummation of such potential transaction (including the proposed merger transaction with Disc), our future funding requirements will depend on and could increase significantly as a result of many factors, including:

- the scope, progress, results and costs of researching and developing our product candidates, and conducting preclinical and clinical trials;
- the costs, timing and outcome of regulatory review of our product candidates;
- the costs, timing and ability to manufacture our product candidates to supply our clinical and preclinical development efforts and our clinical trials;
- the costs of future activities, including product sales, medical affairs, marketing, manufacturing and distribution, for any of our product candidates for which we receive marketing approval;
- the costs of raw materials and manufacturing commercial-grade product and necessary inventory to support commercial launch;
- the ability to receive additional non-dilutive funding, including grants from organizations and foundations;
- the revenue, if any, received from commercial sale of our products, should any of our product candidates receive marketing approval;
- the costs of preparing, filing and prosecuting patent applications, obtaining, maintaining, expanding and enforcing our intellectual property rights and defending intellectual property-related claims;
- our ability to establish and maintain collaborations and strategic alliances on favorable terms, if at all; and
- the extent to which we acquire or in-license other product candidates and technologies.

### **Contractual obligations and commitments**

#### ***Term loan***

In February 2019, we entered into a term loan facility of up to \$10.0 million (the “Term Loan”) with SVB. The proceeds were used for general corporate and working capital purposes. Concurrent with the Term Loan, we issued SVB warrants to purchase 15,257 shares of Old Gemini’s Series A preferred stock at an exercise price of \$5.46. At the closing of the Business Combination, these warrants were automatically exercised for 15,257 shares of our common stock. We repaid the Term Loan in whole in September 2022. As of September 30, 2022 and December 31, 2021, we had \$0 and \$5.4 million, respectively, in principal outstanding under the Term Loan.

The Term Loan was governed by a loan and security agreement, entered into in February 2019, between Gemini and SVB (the “SVB Loan Agreement”). The SVB Loan Agreement provided for two separate tranches under which we could borrow. In April 2019, we borrowed \$7.5 million under the first tranche, and in December 2019, we borrowed \$2.5 million under the second tranche.



The Term Loan would have matured in January 2023 and accrued interest at a floating rate per annum equal to the greater of 3.75% or the prime rate minus 1.5% (4.0% as of September 15, 2022, the prepayment date). The Term Loan provided for monthly interest-only payments until February 2021. Thereafter, payments were payable in equal monthly installments of principal, plus all accrued and unpaid interest.

In April 2020, we entered into a deferral agreement with SVB to defer scheduled principal repayments on its term loan by six months. The deferral agreement was offered in connection with SVB's venture debt relief initiative, which was started due to the COVID-19 pandemic. Our first principal payment under our credit facility occurred in February 2021. The required monthly interest-only payment was not impacted by the deferral. The Term Loan's new maturity date was January 2023 prior to the prepayment.

We prepaid the Term Loan in whole in September 2022 upon 5 days' prior written notice to SVB. The prepayment of the Term Loan was subject to a prepayment charge of 0.5% of the then outstanding principal balance. At the end of the loan term, we were also required to pay a final end of term charge to SVB in the amount of 4.0% of the aggregate original principal amount advanced by SVB.

#### ***Convertible promissory notes***

In August 2020, we entered into a purchase agreement with existing investors to issue \$14.0 million in convertible promissory notes, (the "Notes"). The Notes accrued simple interest at 8% per annum and matured in February 2021. The Notes served as a bridge loan prior to the PIPE Financing that was completed in connection with the closing of the Business Combination. The Notes were amended to allow for the principal and interest to convert to shares of Series B preferred stock prior to the closing of the Business Combination. Accordingly, immediately prior to the closing of the Business Combination, the outstanding principal and interest under the Notes converted into 2,341,316 shares of Series B preferred stock at a per share conversion price of \$6.1986.

#### ***Contract research and manufacturing organizations***

We enter into contracts in the normal course of business with CMOs, CROs and other third parties for the manufacture of our product candidates and to support clinical trials and preclinical research studies and testing. These contracts are generally cancelable at any time by us following a certain period of notice. Payments due upon cancellation consist only of payments for services provided or expenses incurred, including noncancelable obligations of our service providers, up to the date of cancellation. We recorded accrued expenses of approximately \$0.1 million in our condensed consolidated balance sheet for expenditures incurred by CROs and CMOs as of September 30, 2022.

#### ***Disc Merger Agreement***

On August 9, 2022, we entered into the Disc Merger Agreement pursuant to which, subject to the satisfaction or waiver of the conditions therein, Gem Merger Sub will merge with and into Disc, with Disc continuing as the surviving company and a wholly-owned subsidiary of the Company. The Disc Merger was unanimously approved by our Board, and the Board resolved to recommend approval of the Disc Merger Agreement to our shareholders. The closing of the Disc Merger is subject to approval by our stockholders and the stockholders of Disc and other customary closing conditions.

If we are unable to satisfy certain closing conditions or if other mutual closing conditions are not satisfied, Disc will not be obligated to complete the Disc Merger. The Disc Merger Agreement contains certain termination rights of each of us and Disc. Under certain circumstances detailed in the Disc Merger Agreement, we could be required to pay Disc a termination fee of \$3,000,000 or Disc could be required to pay us a termination fee of \$7,800,000. In addition, in certain circumstances upon the termination of the Disc Merger Agreement, we could be required to pay the costs and expenses of Disc in an amount not to exceed \$750,000, or Disc could be required to pay our costs and expenses in an amount not to exceed \$750,000.

#### ***Critical accounting policies and significant judgments and estimates***

Our management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). The preparation of our financial statements and related disclosures requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, costs and expenses. We base our estimates on historical experience, known trends and events and various other factors that we believe are 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. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions or conditions.

During the three and nine months ended September 30, 2022, there were no material changes to our critical accounting policies as reported in our 2021 Annual Report on Form 10-K.

### **Recently issued accounting pronouncements**

Refer to Note 4, *Summary of Significant Accounting Policies*, to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for information regarding recently issued accounting pronouncements.

### **Emerging growth company and smaller reporting company status**

We are an “emerging growth company,” as defined in the Jumpstart Our Business Startups Act of 2012 (“JOBS Act”), and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. We may take advantage of these exemptions until we are no longer an emerging growth company under Section 107 of the JOBS Act, which provides that an emerging growth company can take advantage of the extended transition period afforded by the JOBS Act for the implementation of new or revised accounting standards. We have elected to avail ourselves of the extended transition period and, therefore, while we are an emerging growth company, we will not be subject to new or revised accounting standards at the same time that they become applicable to other public companies that are not emerging growth companies, unless we choose to early adopt a new or revised accounting standard. We will remain an emerging growth company until the earlier of (1) the last day of the fiscal year (a) following the fifth anniversary of the closing of our initial public offering, (b) in which we have total annual gross revenue of at least \$1.235 billion, or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the prior June 30th, and (2) the date on which we have issued more than \$1.0 billion in non-convertible debt during the prior three-year period.

Additionally, we are a “smaller reporting company” as defined in Item 10(f)(1) of Regulation S-K. Smaller reporting companies may take advantage of certain reduced disclosure obligations, including, among other things, providing only two years of audited financial statements. We will remain a smaller reporting company until the last day of the fiscal year in which (i) the market value of our common stock held by non-affiliates exceeds \$250 million as of the prior June 30, or (ii) our annual revenues exceed \$100 million during such completed fiscal year and the market value of our common stock held by non-affiliates exceeds \$700 million as of the prior June 30.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and Item 10(f)(1) of Regulation S-K. As such, we are not required to provide the information set forth in this item.

### **Item 4. Controls and Procedures.**

#### **Managements’ Evaluation of our Disclosure Controls and Procedures**

As of September 30, 2022, our principal executive officer and principal financial officer, after evaluating the effectiveness of our “disclosure controls and procedures” (as defined in the Exchange Act Rule 13a-15(e) or Rule 15d-15(e)), with the participation of our management, have each concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures were effective and were designed to ensure that information we are required to disclose in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure, and is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms. It should be noted that any system of controls is designed to provide reasonable, but not absolute, assurances that the system will achieve its stated goals under all reasonably foreseeable circumstances. Our principal executive officer and principal financial officer have each concluded that our disclosure controls and procedures as of September 30, 2022 are effective at a level that provides such reasonable assurances.

#### **Changes in Internal Control Over Financial Reporting**

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

**Item 1. Legal Proceedings.**

We are not currently subject to any material legal proceedings.

**Item 1A. Risk Factors.**

The matters discussed in this Quarterly Report on Form 10-Q include forward-looking statements that involve risks or uncertainties. These statements are neither promises nor guarantees, but are based on various assumptions by management regarding future circumstances, over many of which we have little or no control. A number of important risks and uncertainties, including those identified under the caption “*Risk Factors*” in Part I, Item 1A of our Annual Report on Form 10-K for the period ended December 31, 2021 and in subsequent filings, could cause our actual results to differ materially from those in the forward-looking statements. Other than the risk factors set forth below, there are no material changes to the risk factors described in our Annual Report on Form 10-K for the period ended December 31, 2021, as filed with the SEC on March 10, 2022. We may disclose changes to such factors or disclose additional factors from time to time in our future filings with the SEC.

**Risks Related to our Merger with Disc Medicine, Inc.**

***Failure to complete, or delays in completing, the proposed merger transaction with Disc (as defined below) announced on August 10, 2022 could materially and adversely affect our results of operations, business, financial results and/or stock price.***

In February 2022, the Company announced a corporate restructuring and that it initiated a process to evaluate strategic alternatives. After a comprehensive review of strategic alternatives, including identifying and reviewing potential candidates for a strategic transaction, on August 9, 2022, the Company entered into an Agreement and Plan of Merger and Reorganization (the “Disc Merger Agreement”) with Disc Medicine, Inc., a Delaware corporation (“Disc”), and Gemstone Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of the Company (“Gem Merger Sub”), pursuant to which, subject to the satisfaction or waiver of the conditions therein, Gem Merger Sub will merge with and into Disc (the “Disc Merger”), with Disc continuing as the surviving company and a wholly-owned subsidiary of the Company. The closing of the Disc Merger is subject to approval by the stockholders of the Company and Disc as well as other customary closing conditions, including the effectiveness of a registration statement on Form S-4 filed with the SEC in connection with the transaction. If the merger is completed, the business of Disc will continue as the business of the combined company. Any failure to satisfy a required condition to closing may prevent, delay or otherwise materially and adversely affect the completion of the transaction, which could materially and adversely affect our results of operations, business, financial results and/or stock price. We cannot predict with certainty whether or when any of the required closing conditions will be satisfied or if another uncertainty may arise and cannot assure you that we will be able to successfully consummate the proposed merger as currently contemplated under the Disc Merger Agreement or at all.

Our efforts to complete the Disc Merger could cause substantial disruptions in, and create uncertainty surrounding, our business, which may materially adversely affect our results of operations and our business. Uncertainty as to whether the Disc Merger will be completed may affect our ability to recruit prospective employees or to retain and motivate existing employees. Employee retention may be particularly challenging while the transaction is pending because employees may experience uncertainty about their roles following the transaction. Uncertainty as to our future could adversely affect our business and our relationship with collaborators, suppliers, vendors, regulators and other business partners. For example, vendors, collaborators and other counterparties may defer decisions about working with us or seek to change existing business relationships with us. Changes to, or termination of, existing business relationships could adversely affect our results of operations and financial condition, as well as the market price of our common stock. The adverse effects of the pendency of the transaction could be exacerbated by any delays in completion of the transaction or termination of the Disc Merger Agreement.

Risks related to the failure to consummate, or delay in consummating, the proposed merger transaction with Disc include, but are not limited to, the following:

- we would not realize any or all of the potential benefits of the Disc Merger, which could have a negative effect on our results of operations, business or stock price;
- under some circumstances, we may be required to pay a termination fee to Disc of \$3,000,000, and/or expense reimbursement of up to \$750,000;
- we would remain liable for significant transaction costs, including legal, accounting, financial advisory and other costs relating to the Disc Merger regardless of whether the Disc Merger is consummated;
- the trading price of our common stock may decline to the extent that the current market price for our stock reflects a market assumption that the Disc Merger will be completed;

- the attention of our management and employees may have been diverted to the Disc Merger rather than to our own operations and the pursuit of other opportunities that could have been beneficial to us;
- we could be subject to litigation related to the strategic review process and/or the pending merger transaction with Disc, including any failure to complete the Disc Merger;
- we could potentially lose key personnel during the pendency of the Disc Merger as employees and other service providers may experience uncertainty about their future roles with us following completion of the Disc Merger; and
- under the Disc Merger Agreement, we are subject to certain customary restrictions on the conduct of our business prior to completing the Disc Merger, which restrictions could adversely affect our ability to conduct our business as we otherwise would have done if we were not subject to these restrictions.

The occurrence of any of these events individually or in combination could materially and adversely affect our results of operations, business, and our stock price.

***We cannot be sure if or when the Disc Merger will be completed.***

The consummation of the Disc Merger is subject to the satisfaction or waiver of various conditions, including the authorization of the Disc Merger by our shareholders and Disc's shareholders. We cannot guarantee that the closing conditions set forth in the Disc Merger Agreement will be satisfied. If we are unable to satisfy certain closing conditions or if other mutual closing conditions are not satisfied, Disc will not be obligated to complete the Disc Merger. Under certain circumstances, we would be required to pay Disc a termination fee of \$3,000,000, and/or expense reimbursement of Disc of up to \$750,000.

If the Disc Merger is not completed, our board of directors, in discharging its fiduciary obligations to our shareholders, would evaluate other strategic alternatives or financing options that may be available, which alternatives may not be as favorable to our shareholders as the Disc Merger, including a liquidation and dissolution. Any future sale or merger, financing or other transaction, including a liquidation or dissolution, may be subject to further shareholder approval. We may also be unable to find, evaluate or complete other strategic alternatives, which may have a materially adverse effect on our business.

Our efforts to complete the Disc Merger could cause substantial disruptions in, and create uncertainty surrounding, our business, which may materially and adversely affect our results of operations and our business. Uncertainty as to whether the Disc Merger will be completed may affect our ability to recruit prospective employees or to retain and motivate existing employees. Employee retention may be particularly challenging while the transaction is pending because employees may experience uncertainty about their roles following the transaction. A substantial amount of our management's and employees' attention is being directed toward the completion of the transaction and thus is being diverted from our day-to-day operations. Uncertainty as to our future could adversely affect our business and our relationship with collaborators, suppliers, vendors, regulators and other business partners. For example, vendors, collaborators and other counterparties may defer decisions concerning working with us, or seek to change existing business relationships with us. Changes to, or termination of, existing business relationships could adversely affect our results of operations and financial condition, as well as the market price of our common stock. The adverse effects of the pendency of the transaction could be exacerbated by any delays in completion of the transaction or termination of the Disc Merger Agreement.

Until the Disc Merger is completed, the Disc Merger Agreement restricts Disc and us from taking specified actions without the consent of the other party, and requires us to operate in the ordinary course of business consistent with past practice. These restrictions may prevent Disc and us from making appropriate changes to our respective businesses or pursuing attractive business opportunities that may arise prior to the completion of the Disc Merger.

Any delay in completing the proposed Disc Merger may materially and adversely affect the timing and benefits that are expected to be achieved from the proposed Disc Merger.

***The exchange ratio set forth in the Disc Merger Agreement is not adjustable based on the market price of our common stock, so the merger consideration at the closing of the Disc Merger may have a greater or lesser value than at the time the Disc Merger Agreement was signed.***

The Disc Merger Agreement has set the exchange ratio for Disc capital stock being converted into the Company's common stock, and the exchange ratio is based on the outstanding capital stock of Disc and the outstanding common stock of the Company, in each case immediately prior to the closing of the Disc Merger. Applying the exchange ratio formula in the Disc Merger Agreement, the former Disc equityholders immediately before the Disc Merger are expected to own approximately 72% of the outstanding capital stock of the combined company immediately following the Disc Merger, and the equityholders of Gemini immediately before the Disc Merger are expected to own approximately 28% of the outstanding capital stock of the combined company immediately following the Disc Merger, in each case, before giving effect to the concurrent financing and subject to certain assumptions detailed in the Disc Merger Agreement.

Under certain circumstances further described in the Disc Merger Agreement, however, these ownership percentages may be adjusted upward or downward based on the cash levels of the respective companies at the closing of the Disc Merger, and as a result, either our stockholders or the Disc stockholders could own less of the combined company than expected.

Any changes in the market price of our common stock before the completion of the Disc Merger will not affect the number of shares of our common stock issuable to Disc's stockholders pursuant to the Disc Merger Agreement. Therefore, if before the completion of the Disc Merger the market price of our common stock declines from the market price on the date of the Disc Merger Agreement, then Disc's stockholders could receive merger consideration with substantially lower value than the value of such merger consideration on the date of the Disc Merger Agreement. Similarly, if before the completion of the Disc Merger the market price of our common stock increases from the market price of our common stock on the date of the Disc Merger Agreement, then Disc's stockholders could receive merger consideration with substantially greater value than the value of such merger consideration on the date of the Disc Merger Agreement. The Disc Merger Agreement does not include a price-based termination right.

***The Disc Merger Agreement contains provisions that limit our ability to pursue alternatives to the Disc Merger, could discourage a potential competing acquiror of us from making an alternative transaction proposal and, in specified circumstances, could require us to pay a termination fee to Disc, which could significantly harm our financial condition and the market price of our common stock and negatively affect the future business and operations of each company.***

The Disc Merger Agreement contains provisions that make it difficult for us to entertain a third-party proposal for an acquisition of our company. These provisions include our agreement not to solicit or initiate any additional discussions with third parties regarding other proposals for our acquisition, as well as restrictions on our ability to respond to such proposals, subject to fulfillment of certain fiduciary requirements of our board of directors.

If the proposed Disc Merger is not completed and the Disc Merger Agreement is terminated under certain circumstances, we may be required to pay Disc a termination fee of up to \$3,000,000, and/or expense reimbursement of up to \$750,000. Even if a termination fee is not payable in connection with a termination of the Disc Merger Agreement, the Company will have incurred significant fees and expenses, which must be paid whether or not the Disc Merger is completed. Further, if the proposed Disc Merger is not completed, it could significantly harm the market price of our common stock.

In addition, if the Disc Merger Agreement is terminated and the board of directors of the Company determines to seek another business combination, there can be no assurance that either we will be able to find a partner and close an alternative transaction on terms that are as favorable or more favorable than the terms set forth in the Disc Merger Agreement.

***Lawsuits may be filed against us and the members of our board of directors arising out of the proposed merger, which may delay or prevent the proposed merger.***

Putative stockholder complaints, including stockholder class action complaints, and other complaints may be filed against us, our board of directors, Disc, Disc's board of directors and others in connection with the transactions contemplated by the Disc Merger Agreement. The outcome of litigation is uncertain, and we may not be successful in defending against any such future claims. Lawsuits that may be filed against us, our board of directors, Disc, or Disc's board of directors could delay or prevent the Disc Merger, divert the attention of our management and employees from our day-to-day business and otherwise adversely affect our financial condition.

***Our stockholders potentially may not receive any payment on the CVRs and the CVRs may otherwise expire valueless.***

The Disc Merger Agreement contemplates that, at or prior to the Effective Time, the Company, the holder's representative and the Rights Agent (as defined in the CVR Agreement) will execute and deliver a contingent value rights agreement (the "CVR Agreement"), pursuant to which each person who as of immediately prior to the Effective Time was a stockholder of record of the Company or had the right to receive the Company's common stock will be entitled to receive a contractual contingent value right ("CVR") issued by the Company subject to and in accordance with the terms and conditions of the CVR Agreement. Each CVR will entitle the holder of the CVR to receive a certain number of shares of common stock of the combined company calculated based on the quotient of the gross proceeds, if any, received in connection with the sale, license, transfer, disposition or other monetizing event of any assets related to drug products, raw materials, and biological materials to which Gemini or any of its subsidiaries owned or had rights to immediately prior to the Effective Time and the weighted average closing market price for the five trading days prior to the date of issuance of the CVR. The right of our stockholders to derive any value from the CVRs will be contingent solely upon the disposition of such assets within the time periods specified in the CVR Agreement.

We may not be able to achieve successful results from the disposition of such assets as described above. If this is not achieved for any reason within the time periods specified in the CVR Agreement, no payments will be made under the CVRs, and the CVRs will expire valueless.

***If Gemini and Disc complete the merger, the combined company will need to raise additional capital by issuing equity securities or additional debt or through licensing arrangements, which may cause significant dilution to the combined company's stockholders or restrict the combined company's operations.***

In August 2022, Disc entered into a subscription agreement with certain investors, including existing investors of Disc, pursuant to which the investors agreed to purchase, in the aggregate, \$53.5 million in shares of common stock of Disc immediately prior to the closing of the merger, referred to as the Disc pre-closing financing. The closing of the Disc pre-closing financing is conditioned upon the satisfaction or waiver of the conditions to the closing of the merger as well as certain other conditions. The shares of Disc common stock issued in the Disc pre-closing financing will result in dilution to all securityholders of the combined company (i.e., both the pre-merger Gemini securityholders and former Disc securityholders). Additional financing may not be available to the combined company when it is needed or may not be available on favorable terms. To the extent that the combined company raises additional capital by issuing equity securities, such financing will cause additional dilution to all securityholders of the combined company, including Gemini's premerger securityholders and Disc's former securityholders. It is also possible that the terms of any new equity securities may have preferences over the combined company's common stock. Any debt financing the combined company enters into may involve covenants that restrict its operations. These restrictive covenants may include limitations on additional borrowing and specific restrictions on the use of the combined company's assets, as well as prohibitions on its ability to create liens, pay dividends, redeem its stock or make investments. In addition, if the combined company raises additional funds through licensing arrangements, it may be necessary to grant licenses on terms that are not favorable to the combined company.

***Certain of the Company's officers and directors may have interests in the proposed Disc Merger that are different from, or in conflict with or in addition to, those of the Company's stockholders generally.***

Certain officers and directors of the Company may have interests in the proposed Disc Merger that are different from the interests of the Company's stockholders generally, including potentially, among others, the continued service as a director of the combined company, the acceleration of stock option vesting, and continued indemnification.

The closing of the Disc Merger will also result in the acceleration of vesting of options to purchase shares of our common stock held by our executive officers and directors, whether or not there is a covered termination of such officer's employment. In addition, certain of Gemini's current directors and executive officers are expected to become directors of the surviving company upon the closing of the Disc Merger, and all of Gemini's directors and executive officers are entitled to certain indemnification and liability insurance coverage pursuant to the terms of the Disc Merger Agreement. These interests, among others, may influence the officers and directors of the Company and cause them to view the Disc Merger differently from how the Company's stockholders generally may view it.

***The market price of our common stock following the Disc Merger may decline as a result of the Disc Merger.***

The market price of our common stock may decline as a result of the Disc Merger for a number of reasons, including if:

- investors react negatively to the prospects of the combined company's product candidates, business and financial condition following the Disc Merger;
- the effect of the Disc Merger on the combined company's business and prospects is not consistent with the expectations of financial or industry analysts; or
- the combined company does not achieve the perceived benefits of the Disc Merger as rapidly or to the extent anticipated by financial or industry analysts.

***The Company's equityholders will have a reduced ownership and voting interest in, and will exercise less influence over the management of, the Company following the closing of the Disc Merger as compared to their current ownership and voting interest in the Company.***

After the completion of the Disc Merger, the current securityholders of the Company will own a smaller percentage of the combined company than their ownership in the Company prior to the Disc Merger. Immediately after the Disc Merger, it is currently estimated that pre-merger Gemini's equityholders will own approximately 28% of the common stock of the combined company, and pre-merger Disc equityholders will own approximately 72% of the common stock of the combined company, in each case, before giving effect to the concurrent financing and subject to certain assumptions. These estimates are based on the anticipated exchange ratio and are subject to adjustment as provided in the Disc Merger Agreement.

In addition, the nine-member board of directors of the combined company will initially include one individual with prior affiliations with Gemini. Consequently, securityholders of Gemini will be able to exercise less influence over the management and policies of the combined organization following the closing of the Disc Merger than they currently exercise over the management and policies of Gemini.

***The Company's stockholders may not realize a benefit from the Disc Merger commensurate with the ownership dilution they will experience in connection with the Disc Merger.***

If the combined company is unable to realize the strategic and financial benefits currently anticipated from the proposed Disc Merger, the Company's stockholders will have experienced substantial dilution of their ownership interests in the Company without receiving the expected commensurate benefit, or only receive part of the commensurate benefit to the extent the combined company is able to realize only part of the expected strategic and financial benefits currently anticipated from the proposed Disc Merger.

***Because the lack of a public market for Disc's capital stock makes it difficult to evaluate the value of Disc's capital stock, the stockholders of Disc may receive shares of our common stock in the Disc Merger that have a value that is greater than the fair market value of Disc's capital stock.***

The outstanding capital stock of Disc is privately held and is not traded in any public market. The lack of a public market makes it extremely difficult to determine the fair market value of Disc. Because the percentage of our common stock to be issued to Disc's stockholders was determined based on negotiations between the parties, it is possible that Gemini may pay more than the aggregate fair market value for Disc, which could adversely impact the value of the holders of Gemini's common stock prior to the consummation of the merger.

***If the merger is not completed, Gemini's stock price may decline significantly.***

The market price of the Company's common stock is subject to significant fluctuations. During the 12-month period ended November 4, 2022, the closing sales price of the Company's common stock on Nasdaq ranged from a high of \$3.92 on November 16, 2021 to a low of \$1.22 on May 26, 2022. Market prices for securities of pharmaceutical, biotechnology and other life science companies have historically been particularly volatile. In addition, the market price of the Company common stock will likely be volatile based on whether stockholders and other investors believe that the Company can complete the merger or otherwise raise additional capital to support the Company's operations if the merger is not consummated and another strategic transaction cannot be identified, negotiated and consummated in a timely manner, if at all. The volatility of the market price of the Company's common stock is exacerbated by low trading volume. Additional factors that may cause the market price of the Company's common stock to fluctuate include:

- the entry into, or termination of, key agreements, including commercial partner agreements;
- announcements by commercial partners or competitors of new commercial products, clinical progress or lack thereof, significant contracts, commercial relationships or capital commitments;
- the loss of key employees;
- future sales of its common stock;
- general and industry-specific economic conditions that may affect its research and development expenditures;
- the failure to meet industry analyst expectations; and
- period-to-period fluctuations in financial results.

Moreover, the stock markets in general have experienced substantial volatility that has often been unrelated to the operating performance of individual companies. These broad market fluctuations may also adversely affect the trading price of the Company's common stock. In the past, following periods of volatility in the market price of a company's securities, stockholders have often instituted class action securities litigation against such companies.

***If we do not successfully consummate the Disc Merger or another strategic transaction, our board of directors may decide to pursue a dissolution and liquidation of the Company. In such an event, the amount of cash available for distribution to our stockholders will depend heavily on the timing of such liquidation as well as the amount of cash that will need to be reserved for commitments and contingent liabilities, as to which we can give you no assurance.***

There can be no assurance that the Disc Merger will be completed. If the Disc Merger is not completed, our board of directors may decide to pursue a dissolution and liquidation of the Company. In such an event, the amount of cash available for distribution to our stockholders will depend heavily on the timing of such decision and, ultimately, such liquidation, since the amount of cash available for distribution continues to decrease as we fund our operations while pursuing the Disc Merger. In addition, if our board of directors were to approve and recommend, and our stockholders were to approve, a dissolution and liquidation of the company, we would be required under Delaware corporate law to pay our outstanding obligations, as well as to make reasonable provision for contingent and unknown obligations, prior to making any distributions in liquidation to stockholders. Our commitments and contingent liabilities may include obligations under our employment and related agreements with certain employees that provide for severance and other payments following a termination of employment occurring for various reasons, including a change in control of the company, litigation against

us, and other various claims and legal actions arising in the ordinary course of business, and other unexpected and/or contingent liabilities. As a result of this requirement, a portion of our assets would need to be reserved pending the resolution of such obligations.

In addition, we may be subject to litigation or other claims related to a dissolution and liquidation of the Company. If a dissolution and liquidation were to be pursued, our board of directors, in consultation with our advisors, would need to evaluate these matters and make a determination about a reasonable amount to reserve. Accordingly, holders of our common stock could lose all or a significant portion of their investment in the event of a liquidation, dissolution or winding up of our company. A liquidation would be a lengthy and uncertain process with no assurance of any value ever being returned to our stockholders.

*We are substantially dependent on our remaining employees to facilitate the consummation of the merger.*

As of November 4, 2022, we had only four full-time employees and one part-time employee. Our ability to successfully complete the Disc Merger depends in large part on our ability to retain certain remaining personnel. Despite our efforts to retain these employees, one or more may terminate their employment with us on short notice. The loss of the services of certain employees could potentially harm our ability to consummate the Disc Merger, to run our day-to-day business operations, as well as to fulfill our reporting obligations as a public company.

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

*(a) Recent Sales of Unregistered Equity Securities and Use of Proceeds*

None.

*(b) Issuer Purchases of Equity Securities*

None.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

None.



**Item 6. Exhibits.****(a) Exhibits Registration No. 333-249785**

<b>Exhibit Number</b>	<b>Description</b>
3.1	<a href="#">Amended and Restated Articles of Incorporation of Gemini Therapeutics, Inc. (incorporated by reference to Annex B to the Registrant's Proxy Statement/Prospectus on Form S-4 (Registration No. 333-249785)).</a>
3.2	<a href="#">Amended and Restated By-laws of Gemini Therapeutics, Inc. (incorporated by reference to Annex C to the Registrant's Proxy Statement/Prospectus on Form S-4 (Registration No. 333-249785)).</a>
4.1	<a href="#">Form of Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to Form S-4/A (Registration No. 333-249785)).</a>
4.2	<a href="#">Registration Rights Agreement, dated February 5, 2021, by and among Gemini Therapeutics, Inc. and the stockholder parties thereto (incorporated by reference to Exhibit 10.1 on Form 8-A12B/A filed on February 5, 2021).</a>
4.3	<a href="#">Voting Agreement, dated February 5, 2021, by and among Gemini Therapeutics, Inc. and the other parties thereto (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on February 11, 2021).</a>
31.1*	<a href="#">Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2*	<a href="#">Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1+	<a href="#">Certifications pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

\* Filed herewith.

+ These certifications are being furnished solely to accompany this quarterly report pursuant to 18 U.S.C. Section 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any filing of the registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

# Indicates management contract or compensatory plan.



**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO RULE 13a-14(a) / RULE 15d-14(a) OF THE SECURITIES  
EXCHANGE ACT OF 1934, AS AMENDED**

I, Georges Gemayel, Ph.D., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Gemini Therapeutics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2022

/s/ Georges Gemayel

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**Dr. Georges Gemayel**  
**Interim President and Chief Executive Officer and Executive Chairman**  
**(Principal Executive Officer)**

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**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO RULE 13a-14(a) / RULE 15d-14(a) OF THE SECURITIES  
EXCHANGE ACT OF 1934, AS AMENDED**

I, Brian Piekos, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Gemini Therapeutics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2022

/s/ Brian Piekos

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**Brian Piekos**  
**Chief Financial Officer and Chief Business Officer**  
**(Principal Financial Officer)**

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