UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended June 30, 2025

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission File Number 001-37437

XBIOTECH INC.

(Exact name of registrant as specified in charter)

British Columbia, Canada	
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

5217 Winnebago Ln, Austin, TX 78744
(Address of principal executive offices) (Zip Code)

Telephone Number (512) 386-2900
(Registrant's telephone number, including Area Code)

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, no par value	XBIT	NASDAQ Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

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

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

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

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

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

As of August 13, 2025, there were 30,487,731 shares of the Registrant's common stock issued and outstanding.

XBIOTECH INC.
THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2025
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SIGNATURES

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements, which reflect our current views with respect to, among other things, our operations and financial performance. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q are forward-looking statements. You can identify forward-looking statements by terminology such as "may," "will," "should," "would," "could," "expects," "plans," "contemplate," "anticipates," "believes," "estimates," "predicts," "projects," "intend" or "continue" or the negative of such terms or other comparable terminology, although not all forward-looking statements contain these identifying words. Forward-looking statements are subject to inherent risks and uncertainties in predicting future results and conditions that could cause the actual results to differ materially from those projected in these forward-looking statements. These forward-looking statements include, but are not limited to statements about:

- *our ability to obtain regulatory approval to market and sell our product candidates in the United States, Europe and elsewhere;*
- *the initiation, timing, cost, progress and success of our research and development programs, preclinical studies and clinical trials for our product candidates;*
- *our ability to advance product candidates into, and successfully complete, clinical trials;*
- *our ability to successfully commercialize the sale of our product candidates in the United States, Europe and elsewhere;*
- *our ability to recruit sufficient numbers of patients for our future clinical trials for our pharmaceutical products;*
- *our ability to achieve profitability;*
- *the implementation of our business model and strategic plans;*
- *our ability to develop and commercialize product candidates for orphan and niche indications independently;*
- *our commercialization, marketing and manufacturing capabilities and strategy;*
- *our ability to protect our intellectual property and operate our business without infringing upon the intellectual property rights of others;*
- *our expectations regarding federal, state and foreign regulatory requirements;*
- *the therapeutic benefits, effectiveness and safety of our product candidates;*
- *the accuracy of our estimates of the size and characteristics of the markets that may be addressed by our products and product candidates;*

- *the rate and degree of market acceptance and clinical utility of our future products, if any;*
- *our expectations regarding market risk, including interest rate changes, foreign currency fluctuations and regional or global economic impacts caused by public health threats, such as the outbreak of coronavirus or other infectious diseases;*
- *our ability to engage and retain the employees required to grow our business;*
- *our future financial performance and projected expenditures;*
- *developments relating to our competitors and our industry, including the success of competing therapies that are or become available; and*
- *estimates of our expenses, future revenue, capital requirements and our needs for additional financing.*

All forward looking statements in this Quarterly Report on Form 10-Q involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Factors that may cause actual results to differ materially from current expectations include, among other things, those under the heading "Risk Factors" included in our annual report for the year ended December 31, 2024 filed with the SEC on March 18, 2025, and under the heading "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this Quarterly Report on Form 10-Q. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future.

This Quarterly Report on Form 10-Q also contains estimates, projections and other information concerning our industry, our business, and the markets for certain medical conditions, including data regarding the estimated size of those markets, and the incidence and prevalence of certain medical conditions. Information that is based on estimates, forecasts, projections, market research or similar methodologies is inherently subject to uncertainties and actual events or circumstances may differ materially from events and circumstances reflected in this information. Unless otherwise expressly stated, we obtained this industry, business, market and other data from reports, research surveys, studies and similar data prepared by market research firms and other third parties, industry, medical and general publications, government data and similar sources.

XBiotech Inc.

Condensed Consolidated Balance Sheets
(in thousands, except share data)

	June 30, 2025 (Unaudited)	December 31, 2024
Assets		
Current assets:		
Cash and cash equivalents	$ 152,938	$ 172,677
Accrued interest receivable	480	700
Income tax receivable	158	158
Prepaid expenses and other current assets	1,313	1,032
Total current assets	154,889	174,567
Property and equipment, net	23,793	24,526
Total assets	$ 178,682	$ 199,093
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 1,431	$ 2,223
Accrued expenses	2,410	2,632
Income tax payable	16	-
Convertible loan, related party	-	10,000
Convertible loan, third party	-	250
Total current liabilities	3,857	15,105
Long-term liabilities:		
Income tax payable	1,761	1,720
Total liabilities	5,618	16,825
Shareholders' equity:		
Preferred stock, no par value, unlimited shares authorized, no shares outstanding	-	-
Common stock, no par value, unlimited shares authorized, 30,487,731 shares issued and outstanding at June 30, 2025 and December 31, 2024	276,541	273,105
Accumulated deficit	(103,477)	(90,837)
Total shareholders' equity	173,064	182,268
Total liabilities and shareholders' equity	$ 178,682	$ 199,093

See accompanying notes to unaudited condensed consolidated financial statements.

XBiotech Inc.

Condensed Consolidated Statements of Operations (unaudited)
(in thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025 (unaudited)	2024 (unaudited)	2025 (unaudited)	2024 (unaudited)
Operating expenses:				
Research and development	$ 5,336	$ 12,984	$ 16,954	$ 22,809
General and administrative	1,000	1,982	2,932	3,010
Total operating expenses	6,336	14,966	19,886	25,819
Loss from operations	(6,336)	(14,966)	(19,886)	(25,819)
Other income:				
Interest income	1,530	2,689	3,034	5,347
Interest expense	-	(200)	(88)	(400)
Other (expense) income	(3)	-	992	-
Foreign exchange gain (loss)	3,081	(554)	3,365	(2,136)
Total other income	4,608	1,935	7,303	2,811
Loss before income taxes	(1,728)	(13,031)	(12,583)	(23,008)
Income tax (expense) benefit	(28)	25	(57)	-
Net loss	$ (1,756)	$ (13,006)	$ (12,640)	$ (23,008)
Net loss per share—basic and diluted	$ (0.06)	$ (0.43)	$ (0.41)	$ (0.76)
Shares used to compute basic and diluted net loss per share	30,487,731	30,456,101	30,487,731	30,461,335

See accompanying notes to unaudited condensed consolidated financial statements.

XBiotech Inc.

Condensed Consolidated Statements of Shareholders' Equity (unaudited)
(in thousands)

	Number of Shares	Common Stock Amount	Accumulated Deficit	Total
Balance at March 31, 2025	30,488	$ 276,434	$ (101,721)	$ 174,713
Net loss	-	-	(1,756)	(1,756)
Share-based compensation expense	-	107	-	107
Balance at June 30, 2025	30,488	$ 276,541	$ (103,477)	$ 173,064

	Number of Shares	Common Stock Amount	Accumulated Deficit	Total
Balance at March 31, 2024	30,451	$ 271,588	$ (62,308)	$ 209,280
Net loss	-	-	(13,006)	(13,006)
Issuance of common stock	12	48	-	48
Share-based compensation expense	-	379	-	379
Balance at June 30, 2024	30,463	$ 272,015	$ (75,314)	$ 196,701

	Number of Shares	Common Stock Amount	Accumulated Deficit	Total
Balance at December 31, 2024	30,488	$ 273,105	$ (90,837)	$ 182,268
Net loss	-	-	(12,640)	(12,640)
Share-based compensation expense	-	3,436	-	3,436
Balance at June 30, 2025	30,488	$ 276,541	$ (103,477)	$ 173,064

	Number of Shares	Common Stock Amount	Accumulated Deficit	Total
Balance at December 31, 2023	30,437	$ 271,152	$ (52,306)	$ 218,846
Net loss	-	-	(23,008)	(23,008)
Issuance of common stock	26	103	-	103
Share-based compensation expense	-	760	-	760
Balance at June 30, 2024	30,463	$ 272,015	$ (75,314)	$ 196,701

See accompanying notes to unaudited condensed consolidated financial statements.

XBiotech Inc.

Condensed Consolidated Statements of Cash Flows (unaudited)
(in thousands)

	Six Months Ended June 30,	
	2025 (unaudited)	2024 (unaudited)
Operating activities		
Net loss	$ (12,640)	$ (23,008)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	881	867
Foreign exchange (gain) loss	(3,365)	2,136
Share-based compensation expense	3,436	760
Changes in operating assets and liabilities:		
Income tax receivable	-	(48)
Accrued interest receivable	220	(10)
Prepaid expenses and other current assets	(281)	(356)
Accounts payable	(795)	(817)
Accrued expenses	(222)	1,847
Income tax payable	57	51
Net cash used in operating activities	(12,709)	(18,578)
Investing activities		
Purchase of property and equipment	(145)	(882)
Net cash used in investing activities	(145)	(882)
Financing activities		
(Payment on) proceeds from convertible loan, related party	(10,000)	10,000
Payment on convertible loan, third party	(250)	
Proceeds from issuance of common stock under stock option plan	-	103
Net cash (used in) provided by financing activities	(10,250)	10,103
Effect of foreign exchange rate on cash and cash equivalents	3,365	(2,136)
Net change in cash and cash equivalents	(19,739)	(11,493)
Cash and cash equivalents, beginning of period	172,677	200,023
Cash and cash equivalents, end of period	$ 152,938	$ 188,530
Supplemental Information:		
Accrued purchases of property and equipment	$ 3	$ 4
Cash paid for interest	$ 486	$ -

See accompanying notes to unaudited condensed consolidated financial statements.

1. Organization

XBiotech Inc. ("XBiotech" or the "Company") was incorporated in Canada on March 22, 2005. The Company's headquarters are located in Austin, Texas. XBiotech USA, Inc., a wholly-owned subsidiary of the Company, was incorporated in Delaware, United States in November 2007.

Since its inception, XBiotech has focused on advancing technology to rapidly identify and clone antibodies from individuals that have resistance to disease. At the heart of the Company is a proprietary technical knowhow to translate natural human immunity into therapeutic product candidates. The Company has in its pipeline both anti-infective and anti-inflammatory candidate therapeutics derived from this technology.

An area of medical focus for XBiotech are therapies that block a potent substance naturally produced by body, known as interleukin-1 alpha (IL-1a), that mediates tissue breakdown, angiogenesis, the formation of blood clots and inflammation. IL-1a is a protein that is on or in cells of the body and is involved in the body's response to injury or trauma. In almost all chronic and in some acute injury scenarios (such as stroke or heart attack), IL-1a may mediate harmful disease-related activity.

At the end of 2019, XBiotech sold a True Human™ antibody that blocked IL-1a activity for $750 million in cash and up to $600 million in potential milestone payments set to expire after twelve years in 2031 (the "Janssen Transaction"). The potential milestone payments are contingent upon achieving the required commercialization authorization for a product intended for use in any non-dermatological indication by Janssen within twelve years. As of June 30, 2025, none of the milestone payments have been earned. As part of the Janssen Transaction, XBiotech maintained the right to develop new antibodies that block IL-1a and develop these therapeutics in all areas of medicine except dermatology. Moreover, Janssen agreed that they would assert all patents they acquired relating to IL-1a for the benefit of XBiotech to protect our future IL-1a-related therapies in all non-dermatological indications. XBiotech is using its True Human™ antibody discovery technology to identify and develop new IL-1a targeting product candidates and has already brought one such candidate into clinical studies in oncology and rheumatology; and another unique anti-IL-1a antibody into a Phase I study in neurology.

The Company is subject to a number of risks common to companies in clinical stage of development. Principal among these risks are the uncertainties of technological innovations, dependence on key individuals, development of the same or similar technological innovations by the Company's competitors and protection of proprietary technology. The Company's ability to fund its planned clinical operations, including completion of its planned trials, is expected to depend on the amount and timing of cash receipts from future collaboration or product sales and/or financing transactions. The Company believes that its cash and cash equivalents of $152.9 million at June 30, 2025, will enable the Company to achieve several major inflection points, including completion of clinical studies with lead product candidates. The Company expects to have sufficient cash through at least 12 months from the date of this report.

2. Significant Accounting Policies

Basis of Presentation

The condensed consolidated balance sheet as of June 30, 2025, the condensed consolidated statements of operations and shareholders' equity for the three and six months ended June 30, 2025 and 2024, and the condensed consolidated statement of cash flows for the six months ended June 30, 2025 and 2024 were prepared by management without audit. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, except as otherwise disclosed, necessary for the fair presentation of the financial position, results of operations, and changes in financial position for such periods, have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been condensed or omitted. These interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Form 10-K for the year ended December 31, 2024. The results of operations for the period ended June 30, 2025 are not necessarily indicative of the operating results that may be expected for a full year. The condensed consolidated balance sheet as of December 31, 2024 contains financial information taken from the audited XBiotech Inc. consolidated financial statements as of that date.

Basis of Consolidation

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. All significant intercompany transactions have been eliminated upon consolidation.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported values of amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

Research and Development Costs

All research and development costs are charged to expense as incurred. Research and development costs include salaries and personnel-related costs, consulting fees, fees paid for contract clinical trial research services, the costs of laboratory consumables, equipment and facilities, license fees and other external costs. Costs incurred to acquire licenses for intellectual property to be used in research and development activities with no alternative future use are expensed as incurred as research and development costs.

Nonrefundable advance payments for goods or services to be received in the future for use in research and development activities are deferred and capitalized. The capitalized amounts are expensed as the related goods are delivered or the services are performed.

Clinical Trial Accruals

Expense accruals related to clinical trials are based on actual services received and efforts expended pursuant to contracts with third party service providers which conduct and manage clinical trials on the Company's behalf. The financial terms of these agreements vary from contract to contract and may result in uneven payment flows. Payments under some of these contracts depend on factors such as the successful enrollment of patients and the completion of clinical trial milestones. The Company accrues costs based on the actual services rendered in the period over which services were performed and the level of effort expended in each period based upon patient enrollment, clinical site activations, or information provided to the Company by its vendors on their actual costs incurred. Any estimates of the level of services performed or the costs of these services could differ from actual results.

Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The Company measures deferred tax assets and liabilities using the enacted tax rates for the years and jurisdictions in which the temporary differences are expected to be recovered. A change to the tax rates used to measure the Company's deferred taxes is recognized in income during the period in which the new rate(s) were enacted.

The Company recognizes deferred tax assets to the extent the Company's assets are more likely than not to be realized. In making such a determination, the Company considers all available positive and negative evidence, including the future reversals of existing taxable temporary differences, projected future taxable income exclusive of reversing temporary differences and carryforwards, tax-planning strategies, taxable income in prior carryback years if permitted under tax law, and the results from prior years. If the Company determines it is more likely than not, that all or a portion of a deferred tax asset will not be realized a valuation allowance is recorded with a charge to income tax expense. Alternatively, if the Company determines that all or a portion of a deferred tax asset previously not meeting the more likely than not threshold will be realized, the Company reduces its valuation allowance and recognizes a benefit in income tax expense.

The Company recognizes and measures uncertain tax benefits in accordance with ASC 740 based on a two-step process in which (1) the Company determines whether it is more likely than not that the tax position will be sustained based on the technical merits of the position, and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the Company recognizes the largest amount of tax benefit that is more than fifty percent likely to be realized upon ultimate settlement with the related tax authority. The Company's policy is to recognize interest and penalties, if any, in income tax expense.

Share-Based Compensation

The Company accounts for its share-based compensation awards in accordance with ASC Topic 718, *Compensation-Stock Compensation* ("ASC 718"). ASC 718 requires all share-based payments to employees, including grants of employee stock options, to be recognized in the statements of operations based on their grant date fair values. For stock options granted to employees and to members of the board of directors for their services on the board of directors, the Company estimates the grant date fair value of each option award using the Black-Scholes option-pricing model. The use of the Black-Scholes option-pricing model requires management to make assumptions with respect to the expected term of the option, the expected volatility of the common stock consistent with the expected life of the option, risk-free interest rates and expected dividend yields of the common stock. To determine the fair value of its common stock, the Company uses the closing price of the Company's common stock as reported by NASDAQ. For awards subject to service-based vesting conditions, the Company recognizes share-based compensation expense, equal to the grant date fair value of stock options on a straight-line basis over the requisite service period. The Company accounts for forfeitures as they occur rather than on an estimated basis.

Share-based compensation expense recognized for the three months and six months ended June 30, 2025 and 2024 was included in the following line items on the Condensed Consolidated Statements of Operations (in thousands).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Research and development	$ 19	$ 242	$ 2,680	$ 496
General and administrative	88	137	756	264
Total share-based compensation expense	$ 107	$ 379	$ 3,436	$ 760

The fair value of each option is estimated on the date of grant using the Black-Scholes method with the following assumptions:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Dividend yield	-	-	-	-
Expected volatility	-	79%-80%	79%-80%	79%-80%
Risk-free interest rate	-	4.2%-4.4%	4.1%-4.5%	3.8%-4.4%
Expected life (in years)	-	5.38- 6.25	6.25 - 10	5.38- 6.25
Weighted-average grant date fair value per share	$ -	$ 3.84	$ 2.93	$ 3.85

Cash and Cash Equivalents

The Company considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consisted primarily of cash on deposit in U.S. and Canadian banks. Cash and cash equivalents are stated at cost which approximates fair value.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to credit risk consist primarily of cash and cash equivalents. The Company holds these investments in highly-rated financial institutions, and limits the amounts of credit exposure to any one financial institution. These amounts at times may exceed federally insured limits. The Company has not experienced any credit losses in such accounts and does not believe it is exposed to any significant credit risk on these funds. The Company has no off-balance sheet concentrations of credit risk, such as foreign currency exchange contracts, option contracts or other hedging arrangements.

Property and Equipment

Property and equipment, which consists of land, construction in process, furniture and fixtures, computers and office equipment, scientific equipment, vehicles and building are stated at cost and depreciated over the estimated useful lives of the assets, with the exception of land and construction in process which are not depreciated, using the straight line method. The useful lives are as follows:

- Furniture and fixtures 7 years
- Office equipment 5 years
- Scientific equipment 5 years
- Vehicles 5 years
- Mobile facility 27.5 years
- Building 39 years

Costs of major additions and betterments are capitalized; maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to expense as incurred. Upon retirement or sale, the cost of the disposed asset and the related accumulated depreciation are removed from the accounts and the resulting gain or loss is recognized.

Impairment of Long-Lived Assets

The Company periodically evaluates its long-lived assets for potential impairment in accordance with ASC Topic 360, *Property, Plant and Equipment*. Potential impairment is assessed when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. Recoverability of these assets is assessed based on undiscounted expected future cash flows from the assets, considering a number of factors, including past operating results, budgets and economic projections, market trends and product development cycles. If impairments are identified, assets are written down to their estimated fair value. The Company has not recognized any impairment through June 30, 2025.

Foreign Currency Transactions

Certain transactions are denominated in a currency other than the Company's functional currency of the U.S. dollar, and the Company generates assets and liabilities that are fixed in terms of the amount of foreign currency that will be received or paid. At each balance sheet date, the Company adjusts the assets and liabilities to reflect the current exchange rate, resulting in a translation gain or loss. The only significant assets denominated in a foreign currency were certain cash accounts, which were remeasured into the functional currency (U.S. dollar) as of June 30, 2025, resulting in a foreign exchange gain of $3.1 million and $3.4 million for the three months and six months ended June 30, 2025, respectively. The foreign exchange loss for the three months and six months ended June 30, 2024, was $0.6 million and $2.1 million respectively. Transaction gains and losses are also realized upon a settlement of a foreign currency transaction in determining net loss for the period in which the transaction is settled.

Segment and Geographic Information

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker, or decision making group, in making decisions on how to allocate resources and assess performance. The Company's chief operating decision maker is the Chief Executive Officer. The Company and the chief operating decision maker view the Company's operations and manage its business as one operating segment. Substantially all of the Company's operations are in the U.S. geographic segment.

Net Loss Per Share

Net income/loss per share ("EPS") is computed by dividing net loss by the weighted average number of common shares outstanding during each period. Diluted EPS is computed by dividing net income/loss by the weighted average number of common shares and common share equivalents outstanding (if dilutive) during each period. The Company does not include the potential impact of dilutive securities in diluted net loss per share, as the impact of these items is anti-dilutive. For the three months and six months ended June 30, 2025 and June 30, 2024, all stock options were not included in the computation of diluted net loss per share, as the impact of these items was anti-dilutive.

Subsequent Events

The Company considered events or transactions occurring after June 30, 2025 but prior to the date the condensed consolidated financial statements are available to be issued for potential recognition or disclosure in its condensed consolidated financial statements. We have evaluated subsequent events through the date of filing this Form 10-Q.

Recent Accounting Pronouncements

Recently Issued Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures" ("ASU 2023-09"), which enhances the transparency and decision usefulness of income tax disclosures. Adjustments to the annual disclosure of income taxes include: (1) A tabular rate reconciliation comprised of eight specific categories, (2) Incomes taxes paid, disaggregated between significant national, state, and foreign jurisdictions, (3) Eliminates requirements to disclose the nature and estimate of reasonably possible changes to unrecognized tax benefits in the next 12 months or that an estimated range cannot be made, and (4) Adds a requirement to disclose income (or loss) from continuing operations before income tax expense (or benefit) and income tax expense (or benefit) from continuing operations disaggregated between domestic and foreign. The ASU is effective for public business entities for fiscal years beginning on or after December 15, 2024 with early adoption permitted. The amendments in ASU 2023-09 should be applied on a prospective basis and retrospective application is permitted. The Company is in process of evaluating the impact of adoption of ASU 2023-09 on the Company's condensed consolidated financial statements and disclosures.

3. Property and Equipment

Net property and equipment, after deducting accumulated depreciation, consisted of the following as of June 30, 2025 and December 31, 2024 (in thousands):

	June 30, 2025	December 31, 2024
Manufacturing equipment	$ 937	$ 1,272
Winnebago building	20,892	21,178
Other fixed assets	1,964	2,076
Total property and equipment	$ 23,793	$ 24,526

4. Convertible Loan, Related Party

On January 3, 2024, the Company entered into a Convertible Loan Agreement (the "Loan") with John Simard, the Company's Founder, President, Chief Executive Officer and Chairman. The Loan provided $10 million in immediate funding for the construction of a new, state-of-the-art research and development facility at the Company's property at 5217 Winnebago Lane in Austin, Texas. The Loan was secured by the real estate and cash holdings of the Company, with interest to accrue at a simple rate equal to eight percent per year and interest-only payments to be made at six-month intervals. At Mr. Simard's election, the balance could be converted to XBiotech stock at any time the Loan balance was outstanding at a fixed conversion price equal to $4.048 per share. The conversion feature was subject to a 19.9% cap limiting the number of shares that could be converted under the Loan based on Mr. Simard's total stock ownership in the Company at the time of conversion. The Loan included an acceleration feature, allowing Mr. Simard to declare immediate cash repayment or conversion under specific acceleration events, including certain financial and non-financial measures, such as payment defaults, breaches of covenants, drop in stock price below $3.00 per share or drop in cash position below $65,000,000. The Loan also allowed Mr. Simard to obtain immediate cash repayment of the Loan balance at his election one year after the loan was funded or upon certain other conditions set forth in the Loan. The Loan had a contractual maturity date of January 3, 2029. The Loan was negotiated, evaluated, and approved on behalf of the Company by a committee of independent and disinterested directors. On January 31, 2025, the Loan was terminated upon full repayment by the Company. As a result, all conversion rights to XBiotech stock associated with the Loan were extinguished.

5. Common Stock

Pursuant to its Articles, the Company has an unlimited number of shares available for issuance with no par value.

During the six months ended June 30, 2024, 26,192 shares of common stock were issued upon the exercise of stock options, at prices ranging from $3.38 to $5.62 per share, for total proceeds of $103 thousand.

No stock options were exercised during the six months ended June 30, 2025.

6. Common Stock Options

On November 11, 2005, the Board of Directors of the Company adopted the XBiotech Inc. 2005 Incentive Stock Option Plan (the "2005 Plan"), and on March 24, 2015, the Board of Directors of the Company adopted the XBiotech Inc. 2015 Equity Incentive Plan (the 2015 Plan") pursuant to which the Company may grant incentive stock and non-qualified stock options to directors, officers, employees or consultants of the Company or an affiliate or other persons as the Compensation Committee may approve.

All options under both Plans will be non-transferable and may be exercised only by the participant, or in the event of the death of the participant, a legal representative until the earlier of the options' expiry date or the first anniversary of the participant's death, or such other date as may be specified by the Compensation Committee.

The term of the options is at the discretion of the Compensation Committee, but may not exceed 10 years from the grant date. The options expire on the earlier of the expiration date or the date three months following the day on which the participant ceases to be an officer or employee of or consultant to the Company, or in the event of the termination of the participant with cause, the date of such termination. Options held by non-employee Directors have an exercise period coterminous with the term of the options.

The number of common shares reserved for issuance to any one person pursuant to the 2005 Plan shall not, in aggregate, exceed 5% of the total number of outstanding common shares. The exercise price per common share under each option will be the fair market value of such shares at the time of the grant. Upon stock option exercise, the Company issues new shares of common stock.

A summary of changes in common stock options issued under the 2005 Plan and under the 2015 Plan is as follows:

	Options	Exercise Price	Weighted-Average Exercise Price
Options outstanding at December 31, 2024	4,331,585	$2.71-$21.74	$ 8.89
Granted	1,066,096	3.25-3.89	3.52
Exercised	-	-	-
Forfeitures	(45,000)	3.84-19.00	12.44
Options outstanding at June 30, 2025	5,352,681	$2.71-$21.74	$ 7.80

	Options	Exercise Price	Weighted-Average Exercise Price
Options outstanding at December 31, 2023	5,039,518	$2.71-$21.74	$ 9.46
Granted	205,000	4.05-7.85	5.58
Exercised	(26,192)	3.38-5.62	3.92
Forfeitures	(619,750)	3.84-19.92	10.88
Options outstanding at June 30, 2024	4,598,576	$2.71-$21.74	$ 9.12

As of June 30, 2025, there was approximately $98 thousand unrecognized compensation cost, related to stock options granted under the Plans which will be amortized to stock compensation expense over the next 2.27 years. Total exercisable stock options as of June 30, 2025 is 5.4 million. The weighted-average exercise price of options exercisable as of June 30, 2025 is $7.80 per share and the weighted-average remaining contractual term is 5.9 years.

7. Income Taxes

The Company's effective tax rates for the three months ended June 30, 2025 and June 30, 2024, were -1.6% and 0.2% respectively. The effective tax rate for the three month periods ended June 30, 2025 and June 30, 2024 varied from the Canadian statutory rate primarily due to losses in jurisdictions for which a valuation allowance is recorded.

The Company's effective tax rates for the six months ended June 30, 2025 and June 30, 2024, were -0.5% and 0.0%, respectively. The effective tax rate for the six month periods ended June 30, 2025 and June 30, 2024 varied from the Canadian statutory rate primarily due losses in jurisdictions for which a valuation allowance is recorded.

8. Subsequent Event

On July 4th, 2025, the President signed into law significant federal tax legislation, H.R.1 (the "Tax Reform Act of 2025"). The legislation includes numerous changes to U.S. corporate income tax law, including but not limited to: permanent 100% bonus depreciation for qualified property, immediate expensing of domestic research and experimental expenditures, modifications to the limitation on business interest expense, increased Section 179 expensing limits, changes to the international tax regime, and expanded limitations on the deductibility of executive compensation under IRC Section 162(m). Most provisions are effective for tax years beginning after December 31, 2024, with certain transition rules and exceptions.

The Company is currently evaluating the impact of the Tax Reform Act of 2025 on its consolidated financial statements. The effects of the new law, including remeasurement of deferred tax assets and liabilities and changes to current and future tax expense, will be reflected in the period of enactment and in future periods as additional guidance is issued and the Company completes its analysis.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

XBiotech Inc. ("XBiotech" or the "Company) is a pre-market biopharmaceutical company engaged in discovering and developing True Human™ monoclonal antibodies for treating a variety of diseases. True Human™ monoclonal antibodies are those which occur naturally in human beings—as opposed to being derived from animal immunization or otherwise engineered. We believe that naturally occurring monoclonal antibodies have the potential to be safer and more effective than their non-naturally occurring counterparts. XBiotech is focused on developing its True Human™ pipeline and manufacturing system.

Following the Janssen Transaction in December 2019, the tender offer in February 2020, and the dividends paid in July 2021, the accumulated deficit as of June 30, 2025 was ($103.5) million. We had net losses of $1.8 million and $12.6 million for the three months and six months ended June 30, 2025, respectively, compared to $13.0 million and $23.0 million for the three months and six months ended June 30, 2024, respectively. We do not expect to generate any revenue in 2025. In addition, we expect to incur significant and increasing operating losses for the foreseeable future as we advance our drug candidates from discovery through preclinical testing and clinical. In addition to these increasing research and development expenses, we expect general and administrative costs to increase, particularly in consideration of current inflationary trends. We will need to generate significant revenues to achieve or sustain profitability, and we may never do so. As of June 30, 2025, we had 92 employees.

Research and Development Expenses

Research and development expenses consist of expenses incurred in connection with identifying and developing our drug candidates. These expenses consist primarily of salaries and related expenses, stock-based compensation, the purchase of equipment, laboratory and manufacturing supplies, facility costs, costs for preclinical and clinical research, development of quality control systems, quality assurance programs and manufacturing processes. We charge all research and development expenses to operations as incurred.

The clinical development costs may further increase going forward with potentially more advanced studies in the future as we evaluate our clinical data and pipeline.

Clinical development timelines, likelihood of success and total costs vary widely. We do not currently track our internal research and development costs or our personnel and related costs on an individual drug candidate basis. We use our research and development resources, including employees and our drug discovery technology, across multiple drug development programs. As a result, we cannot state precisely the costs incurred for each of our research and development programs or our clinical and preclinical drug candidates. From inception through June 30, 2025, we have recorded total research and development expenses, including share-based compensation, of $366.6 million. Our total research and development expenses for the three months and six months ended June 30, 2025 were $5.3 million and $17.0 million, respectively, compared to $13.0 million and $22.8 million for the three months and six months ended June 30, 2024, respectively. Share-based compensation accounted for $19 thousand and $2.7 million for the three months and six months ended June 30, 2025, respectively, compared to $0.2 million and $0.5 million for the three months and six months ended June 30, 2024, respectively, related to research and development.

Research and development expenses, as a percentage of total operating expenses for the three months and six months ended June 30, 2025 were 84% and 85%, respectively, compared to 87% and 89% for the three months and six months ended June 30, 2024, respectively. The percentages, excluding share-based compensation, for the three months and six months ended June 30, 2025 were 85% and 87%, respectively, compared to 85% and 86% for the three months and six months ended June 30, 2024.

We will select drug candidates and research projects for further development on an ongoing basis in response to their preclinical and clinical success and commercial potential. For research and development candidates in early stages of development, it is premature to estimate when material net cash inflows from these projects might occur.

General and Administrative Expenses

General and administrative expense consists primarily of salaries and related expenses for personnel in administrative, finance, business development and human resource functions, as well as the legal costs of pursuing patent protection of our intellectual property and patent filing and maintenance expenses, share–based compensation, and professional fees for legal services. Our total general and administration expenses for the three months and six months ended June 30, 2025 were $1.0 million and $2.9 million, respectively, compared to $2.0 million and $3.0 million for the three months and six months ended June 30, 2024, respectively. Share-based compensation accounted for $88 thousand and $0.8 million for the three months and six months ended June 30, 2025, respectively, and $0.1 million and $0.3 million for the three months and six months ended June 30, 2024, respectively, related to general and administrative expenses.

General and administrative expenses, as a percentage of total operating expenses for the three months and six months ended June 30, 2025 were 16% and 15%, respectively, compared to 13% and 12% for the three months and six months ended June 30, 2024, respectively. The percentages, excluding share-based compensation, for the three months and six months ended June 30, 2025 were 15% and 13%, respectively, compared to 13% and 11% for the three months and six months ended June 30, 2024.

Critical Accounting Policies

Our Management's Discussion and Analysis of Financial Condition and Results of Operations is based on our financial statements, which have been prepared in conformity with generally accepted accounting principles in the United States (US GAAP). The preparation of our financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and expenses incurred during the reported periods.

We base estimates on our historical experience, known trends 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 value of assets and liabilities that are not apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are more fully described in the notes to our financial statements appearing in this Quarterly Report on Form 10-Q, we believe that the following accounting policies are the most critical to understanding and evaluating our reported financial results.

Income Taxes

We account for income taxes under the asset and liability method. We record deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, as well as for operating loss and tax credit carryforwards. We measure deferred tax assets and liabilities using enacted tax rates expected to apply to taxable income in the years in which we expect to recover or settle those temporary differences. We recognize the effect of a change in tax rates on deferred tax assets and liabilities in the results of operations in the period that includes the enactment date. We assess the likelihood that deferred tax assets will be realized, and we recognize a valuation allowance if it is more likely than not that some portion of the deferred tax assets will not be realized. This assessment requires judgment as to the likelihood and amounts of future taxable income by tax jurisdiction. To date, with the exception of certain Canada deferred tax assets that will reverse in a period in which they may be carried back, we have provided a valuation allowance against our deferred tax assets as we believe the objective and verifiable evidence of our historical pretax net losses outweighs any positive evidence of our forecasted future results. Although we believe that our tax estimates are reasonable, the ultimate tax determination involves significant judgment. We will continue to monitor the positive and negative evidence and will adjust the valuation allowance as sufficient objective positive evidence becomes available.

We account for uncertain tax positions by recognizing the financial statement effects of a tax position only when, based upon technical merits, it is more likely than not that the position will be sustained upon examination. We recognize potential accrued interest and penalties associated with unrecognized tax positions within our global operations in income tax expense.

Clinical Trial Accruals

Expense accruals related to clinical trials are based on the Company's estimates of services received and efforts expended pursuant to contracts with third party service providers conduct and manage clinical trials on the Company's behalf. The financial terms of these agreements vary from contract to contract and may result in uneven payment flows. Payments under some of these contracts depend on factors such as the successful enrollment of patients and the completion of clinical trial milestones. In accruing costs, the Company estimates the period over which services will be performed and the level of effort to be expended in each period based upon patient enrollment, clinical site activations, or information provided to the Company by its vendors on their actual costs incurred. Any estimates of the level of services performed or the costs of these services could differ from actual results.

Results of Operations

Expenses

Research and Development

Research and Development costs are summarized as follows (in thousands):

	Three Months Ended June 30,		Increase	% Increase
	2025	2024	(Decrease)	(Decrease)
Salaries and related expenses	$ 2,720	$ 6,985	$ (4,265)	-61%
Laboratory and manufacturing supplies	562	1,057	(495)	-47%
Clinical trials and sponsored research	277	2,920	(2,643)	-91%
Share-based compensation	19	242	(223)	-92%
Other	1,758	1,780	(22)	-1%
Total	$ 5,336	$ 12,984	$ (7,648)	-59%

	Six Months Ended June 30,		Increase	% Increase
	2025	2024	(Decrease)	(Decrease)
Salaries and related expenses	$ 9,093	$ 11,060	$ (1,967)	-18%
Laboratory and manufacturing supplies	1,249	2,290	(1,041)	-45%
Clinical trials and sponsored research	626	5,113	(4,487)	-88%
Share-based compensation	2,680	496	2,184	441%
Other	3,306	3,850	(544)	-14%
Total	$ 16,954	$ 22,809	$ (5,855)	-26%

We do not currently track our internal research and development costs or our personnel and related costs on an individual drug candidate basis. We use our research and development resources, including employees and our drug discovery technology, across multiple drug development programs. As a result, we cannot state precisely the costs incurred for each of our research and development programs or our clinical and preclinical drug candidates.

Research and development expenses decreased $7.6 million to $5.3 million for the three months ended June 30, 2025, compared to $13.0 million for the three months ended June 30, 2024. The decrease of salaries and related expenses was mainly due to the $5.0 million bonus to the Chief Executive Officer in June 2024, in which 85% was allocated to research and development expenses. In 2025, the bonus was granted earlier, in the first quarter. The decrease of clinical trial and sponsored research expenses was mainly due to no trials being active during the three months ended June 30,2025.

Research and development expenses decreased $5.9 million to $17.0 million for the six months ended June 30, 2025, compared to $22.8 million for the six months ended June 30, 2024. The decrease was primarily due to clinical trials and sponsored research expenses, as no trials were in progress during the six months ended June 30, 2025. The decrease in salaries and related expenses was mainly due to the $4.0 million bonus to the Chief Executive Officer in March 2025, compared to $5.0 million in June 2024, in which 85% was allocated to research and development expenses. In addition, stock-based compensation increased due to the issuance of stock options with immediate vesting and grant date fair value at $3.0 million to the Chief Executive Officer in March 2025, with 85% of the expense allocated to research and development.

General and Administrative

General and administrative costs are summarized as follows (in thousands):

	Three Months Ended June 30, 2025	2024	Increase (Decrease)	% Increase (Decrease)
Salaries and related expenses	$ 212	$ 927	$ (715)	-77%
Patent filing expense	200	193	7	4%
Share-based compensation	88	137	(49)	-36%
Professional fees	344	269	75	28%
Other	156	456	(300)	-66%
Total	$ 1,000	$ 1,982	$ (982)	-50%

	Six Months Ended June 30, 2025	2024	Increase (Decrease)	% Increase (Decrease)
Salaries and related expenses	$ 839	$ 1,146	$ (307)	-27%
Patent filing expense	380	485	(105)	-22%
Share-based compensation	756	264	492	186%
Professional fees	656	536	120	22%
Other	301	579	(278)	-48%
Total	$ 2,932	$ 3,010	$ (78)	-3%

General and administrative expenses decreased $1.0 million to $1.0 million for the three months ended June 30, 2025 compared to $2.0 million for the three months ended June 30, 2024. General and administrative expenses decreased $78 thousand to $2.9 million for the six months ended June 30, 2025 compared to $3.0 million for the six months ended June 30, 2024.

The three months decrease was primarily related to the decrease of salaries and related expenses, mainly due to the $5.0 million bonus to the Chief Executive Officer in June 2024, in which 15% was allocated to general and administrative expenses. In 2025, the bonus was granted earlier, in the first quarter. In addition, other expenses decreased caused by the directors' fees incurred in the second quarter of 2024.

Compared to the six months ended June 30, 2024, the decrease in the general and administrative expense in the six months ended June 30, 2025 was also primarily due to the decrease in salaries and related expenses and other expenses. Stock-based compensation increased due to the issuance of stock options with immediate vesting and grant date fair value at $3.0 million to the Chief Executive Officer in March 2025, with 15% of the expense allocated to general and administrative expenses.

Other income (loss)

The following table summarizes other income (loss) (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	**2024**	**2025**	**2024**
Interest income	$ 1,530	$ 2,689	$ 3,034	$ 5,347
Interest expense	-	(200)	(88)	(400)
Other (loss) income	(3)	-	992	-
Foreign exchange gain (loss)	3,081	(554)	3,365	(2,136)
Total	$ 4,608	$ 1,935	$ 7,303	$ 2,811

The interest income for the three months and six months ended June 30, 2025 and 2024 was from the interest generated from the Company's Canadian bank accounts. The interest expense for the three months and six months ended June 30, 2025 and 2024 was the interest for the convertible loans. The other income during the six months ended June 30, 2025 was the cancellation of a penalty by the Canada Revenue Agency for the 2020 tax year. In accordance with the settlement agreement, a portion of the cancelled amount was allocated to American Stock Transfer & Trust Company, LLC. Foreign exchange gain (loss) was mainly due to the fluctuation between the US dollar and the Canadian dollar in the three months and six months ended June 30, 2025 compared to 2024.

Liquidity and Capital Resources

Our cash requirements could change materially as a result of the progress of our research and development and clinical programs, licensing activities, acquisitions, divestitures or other corporate developments.

Since our inception on March 22, 2005 through June 30, 2025, we have funded our operations principally through private placements and public offerings of equity securities, which have provided aggregate cash proceeds of approximately $276.3 million, excluding the February 2020 tender offer cash payment. We received $675 million in cash proceeds from the Janssen Transaction in the year ended December 31, 2019. In June 2021, we received the remaining $75 million in cash from the escrow receivable from the same transaction. In July 2021, we paid $75 million in dividends to shareholders. At June 30, 2025, we had cash and cash equivalents of $152.9 million as compared to cash and cash equivalents of $188.5 million at June 30, 2024. The following table summarizes our sources and uses of cash (in thousands):

	Six Months Ended June 30,	
Net cash (used in) provided by:	**2025**	**2024**
Operating activities	$ (12,709)	$ (18,578)
Investing activities	(145)	(882)
Financing activities	(10,250)	10,103
Effect of foreign exchange rate on cash and cash equivalents	3,365	(2,136)
Net change in cash and cash equivalents	$ (19,739)	$ (11,493)

During the six months ended June 30, 2025 and 2024, our operating activities used net cash of $12.7 million and $18.6 million, respectively. The use of net cash in each of these periods primarily resulted from our net losses. The decrease in net cash used in operations for the six months ended June 30, 2025 in comparison to the six months ended June, 2024 was mainly due to the decrease in clinical trial expenses.

During the six months ended June 30, 2025 and 2024, our investing activities used net cash of $145 thousand and $882 thousand, respectively. The use of cash was for fixed asset purchases and the preparation for the construction of a new facility.

During the six months ended June 30, 2025 and 2024, the net cash from our financing activities was mainly related to the Convertible Loan. On January 3, 2024, we entered into a Convertible Loan Agreement (the "Loan") with John Simard, the Company's Founder, President, Chief Executive Officer and Chairman, which provided $10 million net cash for the construction of a new, state-of-the-art research and development facility at the Company's property at 5217 Winnebago Lane in Austin, Texas. On January 31, 2025, the Loan was terminated upon full repayment of the principal and interest by the Company. Additionally, during the six months ended June 30, 2024, employees exercised stock options to purchase 26,192 shares of our common stock for approximately $103 thousand in net proceeds.

We expect to continue to incur operating losses in the future. We do not expect to receive any additional revenue under the clinical manufacturing agreement with Janssen. Further, we may not receive any product revenue until a drug candidate has been approved by the FDA, EMA or similar regulatory agencies in other countries and successfully commercialized. As of June 30, 2025, our principal sources of liquidity were our cash and cash equivalents, which totaled approximately $152.9 million.

Off-Balance Sheet Arrangements

Since inception, we have not engaged in any off-balance sheet activities, including the use of structured finance, special purpose entities or variable interest entities.

Item 3. Quantitative and Qualitative Disclosure About Market Risks

The Company is not currently exposed to material market risk arising from financial instruments, changes in interest rates or commodity prices, or fluctuations in foreign currencies. The Company has no need to hedge against any of the foregoing risks and therefore currently engages in no hedging activities.

Item 4. Controls and Procedures

Management's Evaluation of our Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, an evaluation was carried out by the Company's management, with the participation of the Chief Executive Officer and Principal Financial Officer, of the effectiveness of the Company's disclosure controls and procedures, as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934. Based on such evaluation, the Chief Executive Officer and Principal Financial Officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports the Company files or furnishes under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and regulations, and are operating in an effective manner.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). The Company's management, with the participation of the Chief Executive Officer and Principal Financial Officer, conducted an assessment of the effectiveness of our internal control over financial reporting based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on our management's assessment, we have concluded that our internal control over financial reporting was effective as of June 30, 2025, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the quarter ended June 30, 2025 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

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

PART II - OTHER INFORMATION

Item 1. Risk Factors

There have been no material changes to the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2024. Please carefully consider the information set forth in this Quarterly Report on Form 10-Q and the risk factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2024, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K, as well as other risks and uncertainties, could materially and adversely affect our business, results of operations and financial condition, which in turn could materially and adversely affect the trading price of shares of our Common Stock. Additional risks not currently known or currently material to us may also harm our business.

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

Not Applicable.

Item 3. Defaults upon Senior Securities

Not Applicable.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information.

Not Applicable.

Item 6. Exhibits.

31.1	Certification of Principal Executive Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of Principal Financial Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.
32.1	Certification of Principal Executive Officer and Principal Financial Officer Required Under Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. §1350.
101	The following financial statements from the XBiotech Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2025, formatted in Inline Extensive Business Reporting Language (XBRL): (i) condensed consolidated balance sheets at June 30, 2025 and December 31, 2024, (ii) condensed consolidated statements of operations for the three and six months ended June 30, 2025 and 2024, (iii) condensed consolidated statements of shareholders' equity for the three and six months ended June 30, 2025 and 2024; (iv) condensed consolidated statements of cash flows for the six months ended June 30, 2025 and 2024 and (v) notes to condensed consolidated financial statements (detail tagged).
104	Cover Page Interactive Data File (embedded within the iXBRL document).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: August 13, 2025

XBIOTECH INC.

By: /S/ JOHN SIMARD
John Simard
President, Chief Executive Officer and Director (*Principal Executive Officer*)

Date: August 13, 2025

By: /S/ ANGELA HU
Angela Hu
Director of Finance (Principal Financial Officer)

Exhibit 31.1

CERTIFICATIONS

I, John Simard, certify that:

1. I have reviewed this quarterly report on Form 10-Q of XBiotech Inc.;

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

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

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

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

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

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

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

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

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

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

Date: August 13, 2025

/S/ JOHN SIMARD
John Simard
Chief Executive Officer and President
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Angela Hu, certify that:

1. I have reviewed this quarterly report on Form 10-Q of XBiotech Inc.;

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

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

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

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

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

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

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

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

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

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

Date: August 13, 2025

/S/ ANGELA HU
Angela Hu
Director of Finance
(Principal Financial Officer)

Exhibit 32.1

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

In connection with the Quarterly Report of XBiotech Inc. on Form 10-Q for the period ended June 30, 2025 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Simard, Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

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

/S/ JOHN SIMARD
John Simard
Chief Executive Officer and President
(Principal Executive Officer)
Date: August 13, 2025

In connection with the Quarterly Report of XBiotech Inc. on Form 10-Q for the period ended June 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Angela Hu, Director of Finance of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

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

/S/ ANGELA HU
Angela Hu
Director of Finance
(Principal Financial Officer)
Date: August 13, 2025