

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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED September 30, 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 001-34600

**TENAX THERAPEUTICS,
INC.**

(Exact name of registrant as specified in its charter)

Delaware

(State of incorporation)

26-2593535

(I.R.S. Employer Identification No.)

101 Glen Lennox Drive, Suite 300, Chapel Hill, North Carolina 27517

(Address of principal executive offices)

(919) 855-2100

(Registrant's telephone number, including area code)

ONE Copley Parkway, Suite 490, Morrisville, North Carolina 27560

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

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

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

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 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	<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 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 by Rule 12b-2 of the Exchange Act). Yes No

As of November 7, 2022 the registrant had outstanding 44,696,215 shares of Common Stock.

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	September 30, 2022 (Unaudited)	December 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,806,399	\$ 5,583,922
Prepaid expenses	707,194	105,078
Total current assets	<u>4,513,593</u>	<u>5,689,000</u>
Right of use asset	207,359	287,692
Property and equipment, net	9,633	7,108
Other assets	8,435	8,435
Total assets	<u>\$ 4,739,020</u>	<u>\$ 5,992,235</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 265,407	\$ 859,638
Accrued liabilities	424,415	704,340
Total current liabilities	<u>689,822</u>	<u>1,563,978</u>
Long term liabilities		
Lease liability	95,347	183,589
Total long term liabilities	<u>95,347</u>	<u>183,589</u>
Total liabilities	785,169	1,747,567
Commitments and contingencies; see Note 7		
Stockholders' equity		
Preferred stock, undesignated, authorized 4,818,654 shares; See Note 8		
Series A Preferred stock, par value \$0.0001, issued 5,181,346 shares; outstanding 210, as of September 30, 2022 and December 31, 2021, respectively	-	-
Common stock, par value \$0.0001 per share; authorized 400,000,000 shares; issued and outstanding 29,980,183 as of September 30, 2022 and 25,206,914 as of December 31, 2021, respectively	2,998	2,521
Additional paid-in capital	290,944,132	282,736,332
Accumulated deficit	<u>(286,993,279)</u>	<u>(278,494,185)</u>
Total stockholders' equity	3,953,851	4,244,668
Total liabilities and stockholders' equity	<u>\$ 4,739,020</u>	<u>\$ 5,992,235</u>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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TENAX THERAPEUTICS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Operating expenses				
General and administrative	\$ 1,377,283	\$ 2,639,920	\$ 4,255,454	\$ 5,284,658
Research and development	1,540,205	1,162,370	4,242,565	24,231,794
Total operating expenses	2,917,488	3,802,290	8,498,019	29,516,452
Net operating loss	2,917,488	3,802,290	8,498,019	29,516,452
Interest expense	372	-	4,443	949
Other income, net	(1,323)	(3,642)	(3,368)	(253,597)
Net loss	\$ 2,916,537	\$ 3,798,648	\$ 8,499,094	\$ 29,263,804
Unrealized gain on marketable securities	-	(276)	-	(72)
Total comprehensive loss	\$ 2,916,537	\$ 3,798,372	\$ 8,499,094	\$ 29,263,732
Net loss per share, basic and diluted	\$ (0.11)	\$ (0.15)	\$ (0.33)	\$ (1.54)
Weighted average number of common shares outstanding, basic and diluted	26,330,085	25,201,312	25,585,418	19,017,311

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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TENAX THERAPEUTICS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Preferred Stock		Common Stock		Additional paid-in capital	Accumulated other comprehensive gain (loss)	Accumulated deficit	Total stockholders' equity
	Number of Shares	Amount	Number of Shares	Amount				
Balance at December 31, 2020	210	\$ -	12,619,369	\$ 1,262	\$ 250,644,197	\$ (70)	\$ (246,019,827)	\$ 4,625,562
Common stock and preferred stock issued for asset acquisition	10,232	1	1,892,905	189	21,582,141			21,582,331
Compensation on options issued					91,609			91,609
Exercise of warrants			457,038	46	544,605			544,651
Unrealized loss on marketable securities						(332)		(332)
Net loss							(23,748,140)	(23,748,140)
Balance at March 31, 2021	10,442	\$ 1	14,969,312	\$ 1,497	\$ 272,862,552	\$ (402)	\$ (269,767,967)	\$ 3,095,681
Common stock issued for convertible preferred stock	(10,232)	(1)	10,232,000	1,023	(1,022)			-
Compensation on options issued					92,339			92,339
Unrealized loss on marketable securities						128		128
Net loss							(1,717,016)	(1,717,016)
Balance at June 30, 2021	210	\$ -	25,201,312	\$ 2,520	\$ 272,953,869	\$ (274)	\$ (271,484,983)	\$ 1,471,132
Pre-funded warrants and warrants sold, net of offering costs					9,192,624			9,192,624
Compensation on options issued					373,259			373,259
Unrealized loss on marketable securities						276		276
Net loss							(3,798,648)	(3,798,648)
Balance at September 30, 2021	210	\$ -	25,201,312	\$ 2,520	\$ 282,519,752	\$ 2	\$ (275,283,631)	\$ 7,238,643

Balance at December 31, 2021	210	\$ -	25,206,914	\$ 2,521	\$ 282,736,332	\$ -	\$ (278,494,185)	\$ 4,244,668
Compensation on options issued					83,069			83,069
Net loss							(2,721,536)	(2,721,536)
Balance at March 31, 2022	210	\$ -	25,206,914	\$ 2,521	\$ 282,819,401	\$ -	\$ (281,215,721)	\$ 1,606,201
Pre-funded warrants and warrants sold, net of offering costs					7,928,591			7,928,591
Compensation on options issued					110,031			110,031
Net loss							(2,861,021)	(2,861,021)
Balance at June 30, 2022	210	\$ -	25,206,914	\$ 2,521	\$ 290,858,023	\$ -	\$ (284,076,742)	\$ 6,783,802
Exercise of pre-funded warrants			4,773,269	477				477
Compensation on options issued					86,109			86,109
Net loss							(2,916,537)	(2,916,537)
Balance at September 30, 2022	210	\$ -	29,980,183	\$ 2,998	\$ 290,944,132	\$ -	\$ (286,993,279)	\$ 3,953,851

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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TENAX THERAPEUTICS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,	
	2022 (Unaudited)	2021 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	\$ (8,499,094)	\$ (29,263,804)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	3,798	3,037
Interest on debt instrument	4,443	949
Amortization of right of use asset	80,332	79,115
Gain on debt settlement and extinguishment		(247,233)
Issuance and vesting of compensatory stock options and warrants	279,686	557,207
Issuance of common stock and preferred stock for asset acquisition	-	21,582,331
Amortization of premium on marketable securities	-	9,427
Changes in operating assets and liabilities		
Accounts receivable, prepaid expenses and other assets	(606,559)	(146,574)
Accounts payable and accrued liabilities	(874,156)	(644,311)
Long term portion of lease liability	(88,241)	(17,892)
Net cash used in operating activities	(9,699,791)	(8,087,748)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of marketable securities	-	803,401
Purchase of marketable securities	-	(345,540)
Purchase of property and equipment	(6,323)	(3,554)
Net cash (used in) provided by investing activities	(6,323)	454,307
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of warrants and pre-funded warrants, net of issuance costs	7,928,591	9,192,624
Proceeds from the issuance of note payable	364,546	-
Payments on short-term note	(364,546)	-
Proceeds from the exercise of warrants	-	544,651
Net cash provided by financing activities	7,928,591	9,737,275
Net change in cash and cash equivalents	(1,777,523)	2,103,834
Cash and cash equivalents, beginning of period	5,583,922	6,250,241
Cash and cash equivalents, end of period	<u>\$ 3,806,399</u>	<u>\$ 8,354,075</u>
Non-cash investing activity		
Addition to right of use asset obtained from new operating lease liability	\$ -	\$ 333,779

[Table of Contents](#)**TENAX THERAPEUTICS, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)****NOTE 1. DESCRIPTION OF BUSINESS**

Tenax Therapeutics, Inc. (the “Company”) was originally formed as a New Jersey corporation in 1967 under the name Rudmer, David & Associates, Inc., and subsequently changed its name to Synthetic Blood International, Inc. On June 17, 2008, the stockholders of Synthetic Blood International approved the Agreement and Plan of Merger dated April 28, 2008, between Synthetic Blood International and Oxygen Biotherapeutics, Inc., a Delaware corporation. Synthetic Blood International formed Oxygen Biotherapeutics on April 17, 2008 to participate in the merger for the purpose of changing the state of domicile of Synthetic Blood International from New Jersey to Delaware. Certificates of Merger were filed with the states of New Jersey and Delaware and the merger was effective June 30, 2008. Under the Plan of Merger, Oxygen Biotherapeutics was the surviving corporation and each share of Synthetic Blood International common stock outstanding on June 30, 2008 was converted into one share of Oxygen Biotherapeutics common stock. On September 19, 2014, the Company changed its name to Tenax Therapeutics, Inc. As announced in September 2022, the Company has turned its primary focus to the careful evaluation of alternative strategic paths focused on maximizing stockholder value.

On November 13, 2013, the Company acquired, through its wholly-owned subsidiary, Life Newco, Inc., a Delaware corporation (“Life Newco”), certain assets of Phyxius Pharma, Inc., a Delaware corporation (“Phyxius”) pursuant to an Asset Purchase Agreement dated October 21, 2013 (the “Asset Purchase Agreement”), by and among the Company, Life Newco, Phyxius and the stockholders of Phyxius. Among these assets was a license between Phyxius and Orion Corporation, a global healthcare company incorporated under the laws of Finland (“Orion”), dated September 20, 2013, and that certain Side Letter, dated October 15, 2013, for the exclusive, sublicensable right to develop and commercialize pharmaceutical products containing levosimendan, 2.5 mg/ml concentrate for solution for infusion / 5ml vial in the United States and Canada (the “Territory”). On October 9, 2020 and January 25, 2022, the Company amended the license (as amended, the “License”), to include two product dose forms containing levosimendan, in capsule and solid dosage form, and a subcutaneously administered product containing levosimendan, subject to specified limitations in the License (together, the “Product”). Pursuant to the License, the Company and Orion will agree to a new trademark when commercializing levosimendan in either of these forms. The term of the License extends until 10 years after the launch of the Product in the Territory, provided that the License will continue after the end of the term in each country in the Territory until the expiration of Orion’s patent rights in the Product in such country. In the event that no regulatory approval for the Product has been granted in the United States on or before September 20, 2030, however, either party will have the right to terminate the License with immediate effect. The Company intends to conduct an upcoming Phase 3 study in pulmonary hypertension patients utilizing one of these formulations, pending the outcome of the strategic process announced in September 2022. See “Note 7 - Commitments and Contingencies” below for a further discussion of the License.

On January 15, 2021, the Company, Life Newco II, Inc., a Delaware corporation and a wholly-owned subsidiary of the Company (“Life Newco II”), PHPrecisionMed Inc., a Delaware corporation (“PHPM”) and Dr. Stuart Rich, solely in his capacity as holders’ representative (the “Representative”), entered into an Agreement and Plan of Merger (the “Merger Agreement”) pursuant to which the Company acquired all of the equity of PHPM, a company developing pharmaceutical products containing imatinib for the treatment of pulmonary arterial hypertension (“PAH”) in the United States and the rest of the world. Under the terms of the Merger Agreement, Life Newco II merged with and into PHPM, with PHPM surviving as a wholly-owned subsidiary of the Company (the “Merger”). See “Note 6 - Merger” below for a further discussion of the Merger.

Going Concern

Management believes the accompanying condensed consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America (“GAAP”), which contemplate continuation of the Company as a going concern. The Company has an accumulated deficit of \$287.0 million on September 30, 2022 and \$278.5 million on December 31, 2021 and used cash in operations of \$9.7 million and \$8.1 million during the nine months ended September 30, 2022 and 2021, respectively. The Company, pending the outcome of the strategic process announced in September 2022, requires substantial additional funds to complete clinical trials and pursue regulatory approvals. Management has implemented certain cost-cutting measures, including administrative expense reductions, delaying clinical trials and relocating its corporate headquarters to a shared office space with the majority of its employees now working remotely. The Company is actively exploring a diverse range of strategic options to help drive stockholder value including, among other things, a sale, merger, or other strategic transaction, and continues to seek additional sources of equity and/or debt financing; however, there is no assurance that these efforts will result in a transaction or other alternative or that any additional funding will be available.

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In view of the matters described above, recoverability of a major portion of the recorded asset amounts shown in the accompanying September 30, 2022 balance sheet is dependent upon continued operations of the Company, which in turn is dependent upon the Company’s ability to meet its financing requirements on a continuing basis, to maintain present financing, and to generate cash from future operations. These factors, among others, raise substantial doubt about the Company’s ability to continue as a going concern. The condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with GAAP for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the unaudited condensed consolidated financial statements reflect all adjustments, which include only normal recurring adjustments necessary for the fair statement of the balances and results for the periods presented. Certain information and footnote disclosures normally included in the Company's annual financial statements prepared in accordance with GAAP have been condensed or omitted. These condensed consolidated financial statement results are not necessarily indicative of results to be expected for the full fiscal year or any future period.

The accompanying unaudited condensed consolidated financial statements and related disclosures have been prepared with the presumption that users of the unaudited condensed consolidated financial statements have read or have access to the audited financial statements for the preceding fiscal year. Accordingly, these unaudited condensed consolidated financial statements should be read in conjunction with the Company's Form 10-K, which was filed with the United States Securities and Exchange Commission ("SEC") on March 29, 2022, from which the Company derived the balance sheet data at December 31, 2021.

Use of Estimates

The preparation of the accompanying unaudited condensed consolidated financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated financial statements and reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

On an ongoing basis, management reviews its estimates to ensure that these estimates appropriately reflect changes in the Company's business and new information as it becomes available. If historical experience and other factors used by management to make these estimates do not reasonably reflect future activity, the Company's results of operations and financial position could be materially impacted.

Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements include the accounts and transactions of Tenax Therapeutics, Inc., Life Newco, Inc. and PHPrecisionMed Inc. All material intercompany transactions and balances have been eliminated in consolidation.

Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity date of three months or less, when acquired, to be cash equivalents.

Liquidity and Capital Resources

On September 30, 2022, the Company had cash and cash equivalents of approximately \$3.8 million. The Company used \$9.7 million of cash for operating activities during the nine months ended September 30, 2022 and had stockholders' equity of \$4.0 million, versus \$4.2 million on December 31, 2021.

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Pending the outcome of the strategic process announced in September 2022, the Company expects to continue to incur certain expenses related to the development of imatinib for PAH and levosimendan for pulmonary hypertension. Based on its resources on September 30, 2022, the Company believes that it has sufficient capital to fund its planned operations through the first quarter of calendar year 2023. The Company is evaluating alternative strategic paths focused on maximizing stockholder value including, among other things, a sale, merger, or other strategic transaction. There can be no assurance, however, that this process will result in a transaction or other alternative. Pending the outcome of the strategic process announced in September 2022, the Company will need substantial additional financing in order to fund its operations beyond such period and thereafter until it can achieve profitability, if ever. The Company depends on its ability to raise additional funds through various potential sources, such as equity and debt financing, or licensing its product candidates to another pharmaceutical company. The Company intends to continue to fund operations from cash on hand and through sources of capital similar to those previously described. The Company cannot provide assurance that it will be able to secure such additional financing on reasonable terms, or if available, that it will be sufficient to meet its needs.

To the extent that the Company raises additional funds by issuing shares of its common stock or other securities convertible or exchangeable for shares of common stock, stockholders will experience dilution, which may be significant. In the event the Company raises additional capital through debt financings, the Company may incur significant interest expense and become subject to restrictive covenants in the related transaction documentation that may affect the manner in which the Company conducts its business. To the extent that the Company raises additional funds through collaboration and licensing arrangements, it may be necessary to relinquish some rights to its technologies or product candidates or grant licenses on terms that may not be favorable to the Company.

Any or all of the foregoing may have a material adverse effect on the Company's business and financial performance.

Loss Per Share

Basic loss per share, which excludes antidilutive securities, is computed by dividing net loss by the weighted-average number of common shares outstanding for that particular period. In contrast, diluted loss per share considers the potential dilution that could occur from other equity instruments that would increase the total number of outstanding shares of common stock. Such amounts include shares potentially issuable under outstanding options, restricted stock and warrants.

The following outstanding options, restricted stock grants, convertible preferred shares and warrants were excluded from the computation of basic and diluted net loss per share for the periods presented because including them would have had an anti-dilutive effect.

	2022	2021
Warrants to purchase common stock	31,524,794	20,928,767
Pre-funded warrants to purchase common stock	15,856,032	10,033,274
Options to purchase common stock	1,558,220	1,330,366
Convertible preferred shares outstanding	210	210

Operating Leases

The Company determines if an arrangement includes a lease at inception. Operating leases are included in operating lease right-of-use assets, other current liabilities, and long-term lease liabilities in the Company's condensed consolidated balance sheet as of September 30, 2022. Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. In determining the net present value of lease payments, the Company uses the incremental borrowing rate based on the information available at the lease commencement date. The operating lease right-of-use assets also include any lease payments made and exclude lease incentives. The Company's leases may include options to extend or terminate the lease which are included in the lease term when it is reasonably certain that the Company will exercise any such option. Lease expense is recognized on a straight-line basis over the expected lease term. The Company has elected to account for leases with an initial term of 12 months or less similar to previous guidance for operating leases, under which the Company will recognize those lease payments in the consolidated statements of operations and comprehensive loss on a straight-line basis over the lease term.

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Recent Accounting Pronouncements

In August 2020, the Financial Accounting Standards Board ("FASB") issued accounting standards update ("ASU") No. 2020-06, Debt-Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity, which simplifies accounting for convertible instruments by removing major separation models required under current GAAP. The ASU removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception and it also simplifies the diluted earnings per share calculation in certain areas. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2023. Early adoption will be permitted. The Company is currently evaluating the impact of this standard on its condensed consolidated financial statements.

In June 2016, the FASB issued ASU-2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which amends how credit losses are measured and reported for certain financial instruments that are not accounted for at fair value through net income. This standard requires that credit losses be presented as an allowance rather than as a write-down for available-for-sale debt securities and will be effective for interim and annual reporting periods beginning January 1, 2023, with early adoption permitted. A modified retrospective approach is to be used for certain parts of this guidance, while other parts of the guidance are to be applied using a prospective approach. The Company does not believe the adoption of this standard will have a material impact on its condensed consolidated financial statements and related disclosures.

NOTE 3. BALANCE SHEET COMPONENTS

Prepaid expenses

Prepaid expenses primarily consist of clinical trial costs, rent and insurance.

Property and equipment, net

Property and equipment primarily consist of office furniture and fixtures.

Depreciation expense was approximately \$1,200 and \$1,000 for the three months ended September 30, 2022 and 2021, respectively. Depreciation expense was approximately \$3,800 and \$3,000 for the nine months ended September 30, 2022 and 2021, respectively.

Accrued liabilities

Accrued liabilities consist of the following:

	September 30, 2022	December 31, 2021
Operating costs	\$ 230,480	\$ -
Lease liability	116,243	107,192
Employee related	77,692	597,148
	<u>\$ 424,415</u>	<u>\$ 704,340</u>

NOTE 4. NOTE PAYABLE

Financed Insurance Premium

The Company entered into a Premium Finance Agreement with Premium Funding Associates, Inc. in connection with certain of the Company's insurance policies and, pursuant thereto, issued a note payable to Premium Funding, Inc. for \$364,546 (the "Note"). The Note has an eight-month term, bears interest at a rate of 3.24% per annum, and is secured by the policies. Under the terms of the Note, the Company is required to make monthly installments of principal and interest totaling \$46,124 through August 31, 2022. The Company recorded interest expense of \$372 and \$4,443 for the three and nine months ended September 30, 2022, respectively. As of September 30, 2022 the Note was paid in full.

NOTE 5. LEASE

In January 2011, the Company entered into a lease with Concourse Associates, LLC for its headquarters in Morrisville, North Carolina (the "Lease"). The Lease was amended in August 2015 to extend the term for the 5,954 square foot rental. The subsequent term began on March 1, 2016 and continued for 64 months to June 30, 2021. Rent payments began on July 1, 2016, following the conclusion of a four-month rent abatement period. The Company has two five-year options to extend the Lease and a one-time option to terminate the Lease 36 months after the commencement of the initial term if no additional space became available. On April 2, 2021, the Company negotiated a three-year extension to the existing lease term, commencing July 1, 2021 (the "Commencement Date"). Beginning on the Commencement Date, the annual base rent was increased to \$125,034 and will increase 2.5% annually for lease years two and three.

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The Company performed an evaluation of its other contracts with customers and suppliers in accordance with Accounting Standards Codification ("ASC") 842, Leases, and determined that, except for the Lease described above, none of the Company's contracts contain a lease.

The balance sheet classification of our lease liabilities was as follows:

	September 30, 2022	December 31, 2021
Current portion included in accrued liabilities	\$ 116,243	\$ 107,192
Long term lease liability	95,347	183,589
	<u>\$ 211,590</u>	<u>\$ 290,781</u>

As of September 30, 2022, the maturities of our operating lease liabilities were as follows:

Year ending December 31,	
2022	\$ 32,047
2023	129,797
2024	<u>65,702</u>
Total lease payments	<u>\$ 227,546</u>
Less: Imputed interest	(15,956)
Operating lease liability	<u>\$ 211,590</u>

Operating lease liabilities are based on the net present value of the remaining lease payments over the remaining lease term. In determining the present value of lease payments, the Company used the incremental borrowing rate based on the information available at its Lease's Commencement Date. As of September 30, 2022, the remaining Lease term is 18 months and the discount rate used to determine the operating lease liability was 8.0%. For the nine months ending September 30, 2022, the Company paid \$95,719 in total lease expenses, including \$1,155 for common area maintenance charges.

NOTE 6. MERGER

On January 15, 2021, the Company, Life Newco II, PHPM, and Dr. Rich, as Representative, entered into the Merger Agreement, pursuant to which, the Company acquired all of the equity of PHPM. Under the terms of the Merger Agreement, Life Newco II merged with and into PHPM, with PHPM surviving as a wholly-owned subsidiary of the Company.

As consideration for the Merger, the stockholders of PHPM received (i) 1,892,905 shares of Company common stock, and (ii) 10,232 shares of the Company's Series B convertible preferred stock ("Series B Stock"), which were convertible into up to an aggregate of 10,232,000 shares of common stock (collectively, the "Merger Consideration"). To satisfy the Company's post-closing rights to closing adjustments and indemnification by PHPM and the former stockholders of PHPM pursuant to the Merger Agreement, 1,212,492 shares of common stock issuable upon conversion of the Series B Stock, which represented approximately 10% of the Merger Consideration, are subject to holdback restrictions for 24 months following closing of the transaction (the "Holdback Shares").

Pursuant to the Merger Agreement, the Company's Board of Directors, at its annual meeting of stockholders held on June 10, 2021, recommended to the Company's stockholders, and the stockholders approved, the conversion of the Series B Stock pursuant to the Certificate of Designation. As a result, each share of Series B Stock automatically converted into (i) 881.5 shares of common stock, and (ii) the right to receive up to 118.5 Holdback Shares, to be delivered 24 months after the date of issuance of the Series B Stock, subject to reduction for indemnification claims.

Pursuant to the terms of the Merger Agreement, on February 25, 2021, the Board appointed three directors designated by the PHPM representative to serve on the Board: Dr. Rich, the co-founder and Chief Executive Officer and a stockholder of PHPM, and Drs. Michael Davidson and Declan Doogan. In connection with the closing of the Merger, Dr. Rich also was appointed Chief Medical Officer of the Company.

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The Company evaluated this acquisition in accordance with ASC 805, Business Combinations, to determine whether the assets and operations of PHPM met the definition of a business. Included in the in-process research and development project is the historical know-how, formula protocols, designs, and procedures expected to be needed to complete the related phase of testing. The Company concluded that the in-process research and development project is an identifiable intangible asset that would be accounted for as a single asset in a business combination. The Company also qualitatively concluded that there is no fair value associated with the clinical research organization contract and the clinical manufacturing organization contract because the services are being provided at market rates and could be provided by multiple vendors in the marketplace. Therefore, all of the consideration in the transaction was

allocated to the in-process research and development project. As such, the Company concluded that substantially all of the fair value of the gross assets acquired was concentrated in the single in-process research and development asset and the set was not a business.

The Company is furthering the clinical development of the acquired asset in an upcoming Phase 3 clinical trial for the treatment of patients with PAH. Although the acquired asset may have utility in other patient populations, future development decisions for the acquired asset will be contingent upon the results of the contemplated Phase 3 program for PAH. As such, the acquired asset does not have an alternative future use at the acquisition date. In accordance with ASC 730, Research and Development, the Company concluded the entire Purchase Price for the asset acquisition was an expense on the acquisition date.

The consideration transferred, assets acquired and liabilities assumed were recognized as follows:

Fair value of shares of Common Stock issued	\$ 3,369,371
Fair Value of Series B Convertible Preferred Stock issued at closing	18,212,960
Total fair value of consideration transferred	<u>\$ 21,582,331</u>
Tangible assets acquired	\$ -
Accounts payable assumed	(150,000)
Total identifiable net assets	<u>(150,000)</u>
IPR&D expense recognized	21,732,331
Total fair value of consideration	<u>\$ 21,582,331</u>

NOTE 7. COMMITMENTS AND CONTINGENCIES

Simdax license agreement

On November 13, 2013, the Company acquired, through its wholly-owned subsidiary, Life Newco, that certain License, dated September 20, 2013, as amended on October 9, 2020 and January 25, 2022, by and between Phyxius and Orion, and that certain Side Letter, dated October 15, 2013 by and between Phyxius and Orion. The License grants the Company an exclusive, sublicensable right to develop and commercialize pharmaceutical products containing levosimendan in the Territory and, pursuant to the October 9, 2020 and January 25, 2022 amendments, also includes two product dose forms containing levosimendan, in capsule and solid dosage form, and a subcutaneously administered product containing levosimendan, subject to specified limitations in the License. Pursuant to the License, the Company and Orion will agree to a new trademark when commercializing levosimendan in either of these forms.

The License also grants the Company a right of first refusal to commercialize new developments of the Product, including developments as to the formulation, presentation, means of delivery, route of administration, dosage or indication (i.e., line extension products).

As of September 30, 2022 and September 30, 2021, the Company has not met any of the developmental milestones under the License and, accordingly, has not recorded any liability for the contingent payments due to Orion.

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NOTE 8. STOCKHOLDERS' EQUITY

Under the Company's Certificate of Incorporation, the Board is authorized, without further stockholder action, to provide for the issuance of up to 10,000,000 shares of preferred stock, par value \$0.0001 per share, 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 designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations and restrictions thereof.

Series B Stock

As further discussed in "Note 6—Merger" above, on January 15, 2021, the Company issued 10,232 shares of its Series B Stock, which were convertible into an aggregate of 10,232,000 shares of common stock, to the stockholders of PPHM as partial consideration for the Merger with PPHM pursuant to the Merger Agreement.

The rights, preferences and privileges of the Series B Stock are set forth in the Certificate of Designation. Following receipt of the approval of the stockholders of the Company on June 10, 2021 for the Conversion, each share of Series B Stock automatically converted into (i) 881.5 shares of common stock and (ii) the right to receive up to 118.5 Holdback Shares, to be delivered 24 months after the date of issuance of the Series B Stock, subject to reduction for indemnification claims.

As of September 30, 2022, there were no shares of Series B Stock outstanding.

Series A Stock

On December 11, 2018, the Company closed its underwritten offering of 5,181,346 units for net proceeds of approximately \$9.0 million (the "2018 Offering"). Each unit consisted of (i) one share of the Company's Series A convertible preferred stock, par value \$0.0001 per share (the "Series A Stock"), (ii) a two-year warrant to purchase one share of common stock at an exercise price of \$1.93, and (iii) a five-year warrant to purchase one share of common stock at an exercise price of \$1.93. In accordance with ASC 480, Distinguishing Liabilities from Equity, the estimated fair value of \$1,800,016 for the beneficial conversion feature was recognized as a deemed dividend on the Series A Stock during the year ended December 31, 2020.

The table below sets forth a summary of the designation, powers, preferences and rights of the Series A Stock.

Conversion Subject to the ownership limitations described below, the Series A Stock is convertible at any time at the option of the holder into shares of the Company's common stock at a conversion ratio determined by dividing the stated value of the Series A Stock by a conversion

price of \$1.93 per share. The conversion price is subject to adjustment in the case of stock splits, stock dividends, combinations of shares and similar recapitalization transactions.

The Company will not affect any conversion of the Series A Stock, nor shall a holder convert its shares of Series A Stock, to the extent that such conversion would cause the holder to have acquired, through conversion of the Series A Stock or otherwise, beneficial ownership of a number shares of common stock in excess of 4.99% (or, at the election of the holder prior to the issuance of any shares of Series A Stock, 9.99%) of the common stock outstanding after giving effect to such exercise.

Dividends	In the event the Company pays dividends on its shares of common stock, the holders of the Series A Stock will be entitled to receive dividends on shares of Series A Stock equal, on an as-if-converted basis, to and in the same form as paid on the common stock. No other dividends will be paid on the shares of Series A Stock.
Liquidation	Upon any liquidation, dissolution or winding up of the Company after payment or provision for payment of debts and other liabilities of the Company, the holders of Series A Stock shall be entitled to be paid out of the assets of the Company available for distribution to its stockholders an amount equal to the amount that a holder of common stock would receive if the Series A Stock were fully converted to common stock, which amounts will be paid pari passu with all holders of common stock.
Voting rights	Shares of Series A Stock will generally have no voting rights, except as required by law and except that the consent of holders of a majority of the then outstanding Series A Stock will be required to amend the terms of the Series A Stock or to take other action that adversely affects the rights of the holders of Series A Stock.

As of September 30, 2022, there were 210 shares of Series A Stock outstanding.

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Common Stock and Pre-Funded Warrants

The Company's Certificate of Incorporation authorizes it to issue 400,000,000 shares of \$0.0001 par value common stock. As of September 30, 2022, and December 31, 2021, there were 29,980,183 and 25,206,914 shares of common stock issued and outstanding, respectively. As of September 30, 2022 and December 31, 2021, there were 15,856,032 and 10,033,274 pre-funded warrants outstanding, respectively.

May 2022 Private Placement (the "May 2022 Offering")

On May 17, 2022, the Company entered into a securities purchase agreement with an institutional investor, a related party, pursuant to which the Company agreed to sell and issue to the investor 10,596,027 units in a private placement at a purchase price of \$0.775 per unit. Each unit consisted of (i) one unregistered pre-funded warrant to purchase one share of common stock and (ii) one unregistered warrant to purchase one share of common stock (together with the pre-funded warrants, the "2022 Warrants"). In the aggregate, 21,192,054 shares of the Company's common stock are underlying the 2022 Warrants. The net proceeds from the private placement, after direct offering expenses, were approximately \$7.9 million. The fair value allocated to the pre-funded warrants and warrants was \$4.2 million and \$3.8 million, respectively.

Also, on May 17, 2022 and in connection with the May 2022 Offering, the Company entered into a registration rights agreement (the "May 2022 Registration Rights Agreement") with the investor, pursuant to which the Company agreed to register for resale the shares of common stock issuable upon exercise of the 2022 Warrants within 120 days following the effective date of the May 2022 Registration Rights Agreement. Pursuant to the May 2022 Registration Rights Agreement, on May 25, 2022, the Company filed a resale registration statement on Form S-3 with the SEC, which went effective on June 3, 2022.

Additionally, in connection with the May 2022 Offering, the Company entered into a warrant amendment agreement (the "Warrant Amendment Agreement") with the investor, in consideration for the investor's purchase of units in the May 2022 Offering, pursuant to which the Company agreed to amend certain previously issued warrants held by the investor. The terms of the amended and restated warrants are described further below under "Note 8—Stockholders Equity—Warrants".

July 2021 Private Placement (the "July 2021 Offering")

On July 6, 2021, the Company entered into a securities purchase agreement with an institutional investor, a related party, pursuant to which the Company agreed to sell and issue to the investor 4,773,269 units in a private placement at a purchase price of \$2.095 per unit. Each unit consisted of (i) one unregistered pre-funded warrant to purchase one share of common stock and (ii) one unregistered warrant to purchase one share of common stock (together with the pre-funded warrants, the "2021 Warrants"). In the aggregate, 9,546,538 shares of the Company's common stock are underlying the 2021 Warrants. The net proceeds from the private placement, after deducting placement agent fees and other direct offering expenses, were approximately \$9.2 million. The fair value allocated to the pre-funded warrants and warrants was \$5.5 million and \$4.5 million, respectively.

Also, on July 6, 2021 and in connection with the July 2021 Offering, the Company entered into a registration rights agreement (the "July 2021 Registration Rights Agreement") with the investor, pursuant to which the Company agreed to register for resale the shares of common stock issuable upon exercise of the 2021 Warrants within 120 days following the effective date of the July 2021 Registration Rights Agreement. Pursuant to the July 2021 Registration Rights Agreement, on August 20, 2021, the Company filed a resale registration statement on Form S-3 with the SEC, which went effective on September 1, 2021.

Warrants

As of September 30, 2022, the Company has 31,524,794 warrants outstanding. The following table summarizes the Company's warrant activity for the nine months ended September 30, 2022:

Warrants	Weighted Average
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		Exercise Price
Outstanding at December 31, 2021	20,928,767	\$ 1.45
Issued	10,596,027	0.63
Amended and restated	(9,206,120)	1.72 ⁽¹⁾
Amended and restated	9,206,120	0.63 ⁽¹⁾
Outstanding at September 30, 2022	31,524,794	\$ 0.86

⁽¹⁾ This reflects the portion of the warrants that were amended and restated to lower the exercise price to \$0.63 in connection with the May 2022 Warrant Amendment Agreement, which is described further below.

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May 2022 Warrants

As described above, as a part of the May 2022 Offering, the Company issued unregistered warrants to purchase 10,596,027 shares of its common stock at an exercise price of \$0.63 per share and contractual term of five and one-half years. The unregistered warrants were offered in a private placement under Section 4(a)(2) of the Securities Act of 1933, as amended (the “Securities Act”) and Regulation D promulgated thereunder. In accordance with ASC 815, Derivatives and Hedging, these warrants are classified as equity and their relative fair value of approximately \$3.8 million was recognized as additional paid in capital. The estimated fair value is determined using the Black-Scholes Option Pricing Model which is based on the value of the underlying common stock at the valuation measurement date, the remaining contractual term of the warrants, risk-free interest rates, expected dividends and expected volatility of the price of the underlying common stock.

July 2021 Warrants

As described above, as a part of the July 2021 Offering, the Company issued unregistered warrants to purchase 4,773,269 shares of its common stock at an exercise price of \$1.97 per share and contractual term of five and one-half years. In connection with the May 2022 Offering, the unregistered warrants were subsequently amended by reducing the exercise price to \$0.63 and extending the termination date of the warrants to January 8, 2029. The unregistered warrants were offered in a private placement under Section 4(a)(2) of the Securities Act and Regulation D promulgated thereunder. In accordance with ASC 815, these warrants are classified as equity and their relative fair value of approximately \$4.5 million was recognized as additional paid in capital. The estimated fair value is determined using the Black-Scholes Option Pricing Model which is based on the value of the underlying common stock at the valuation measurement date, the remaining contractual term of the warrants, risk-free interest rates, expected dividends and expected volatility of the price of the underlying common stock.

Warrants Issued for Services

In connection with the July 2021 Offering described above, the Company issued designees of the placement agent warrants to purchase 357,995 shares of common stock at an exercise price of \$2.46 and a contractual term of five years. In accordance with ASC 815, these warrants are classified as equity and its estimated fair value of \$558,472 was recognized as additional paid in capital. The estimated fair value is determined using the Black-Scholes Option Pricing Model which is based on the value of the underlying common stock at the valuation measurement date, the remaining contractual term of the warrant, risk-free interest rates, expected dividends and expected volatility of the price of the underlying common stock.

July 2020 Warrants

On July 6, 2020, the Company issued unregistered warrants to purchase 7,783,616 shares of its common stock at an exercise price of \$0.903 per share and contractual term of five and one-half years. In connection with the May 2022 Offering, the unregistered warrants were subsequently amended by extending the termination date of the warrants to January 8, 2028.

March 2020 Warrants

On March 13, 2020, the Company issued unregistered warrants to purchase 2,360,313 shares of its common stock at an exercise price of \$1.04 per share and contractual term of five and one-half years. In connection with the May 2022 Offering, the unregistered warrants were subsequently amended by reducing the exercise price to \$0.63 and extending the termination date of the warrants to September 15, 2027.

December 2018 Warrants

On December 11, 2018, the Company issued warrants to purchase 5,181,346 shares of its common stock at an exercise price of \$1.93 per share and contractual term of five years. In connection with the May 2022 Offering, 2,072,538 of these warrants were subsequently amended by reducing the exercise price to \$0.63 and extending the termination date of the warrants to December 11, 2025.

Stock Options

2022 Stock Incentive Plan

In June 2022, the Company adopted the 2022 Stock Incentive Plan (the “2022 Plan”). Under the 2022 Plan, with the approval of the Board’s Compensation Committee, the Company may grant stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units, cash-based awards or other stock-based awards. On June 9, 2022, the Company’s stockholders approved the 2022 Plan, which authorizes for issuance under the 2022 Plan a total of 1,100,000 shares of common stock. Upon approval by the stockholders, the 2022 Plan superseded and replaced the Tenax Therapeutics, Inc. 2016 Stock Incentive Plan, as amended (the “2016 Plan”) and all shares of common stock remaining authorized and available for issuance under the 2016 Plan and any shares subject to outstanding awards under the 2016 Plan that subsequently expire, terminate, or are surrendered or forfeited for any reason without issuance of shares automatically become available for issuance under our 2022 Plan.

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The following table summarizes the shares available for grant under the 2022 Plan for the nine months ended September 30, 2022:

	Shares Available for Grant
Balances, at December 31, 2021	-
Shares reserved under 2022 Plan	1,100,000
Shares rolled over from 2016 Plan	819,750
Options granted	(571,250)
Options cancelled/forfeited	195,000
Balances, at September 30, 2022	1,543,500

2022 Plan Stock Options

Stock options granted under the 2022 Plan may be either incentive stock options (“ISOs”) or nonqualified stock options (“NSOs”). ISOs may be granted only to employees. NSOs may be granted to employees, consultants and directors. Stock options under the 2022 Plan may be granted with a term of up to ten years and at prices no less than fair market value at the time of grant. Stock options granted generally vest over one to four years.

The following table summarizes the outstanding stock options under the 2022 Plan for the nine months ended September 30, 2022.

	Outstanding Options	
	Number of Shares	Weighted Average Exercise Price
Balances at December 31, 2021	-	\$ -
Options granted	571,250	\$ 0.62
Balances at September 30, 2022	571,250	\$ 0.62

The Company chose the “straight-line” attribution method for allocating compensation costs of each stock option over the requisite service period using the Black-Scholes Option Pricing Model to calculate the grant date fair value.

The Company recorded compensation expense for stock option grants of \$35,982 for the three months ended September 30, 2022, and \$69,932 for the nine months ended September 30, 2022.

As of September 30, 2022, there were unrecognized compensation costs of approximately \$219,314 related to non-vested stock option awards under the 2022 Plan that will be recognized on a straight-line basis over the weighted average remaining vesting period of 2.12 years.

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The Company used the following assumptions to estimate the fair value of options granted under the 2022 Plan for the nine months ended September 30, 2022:

	For the nine months ended September 30, 2022
Risk-free interest rate (weighted average)	3.08%
Expected volatility (weighted average)	102.01%
Expected term (in years)	7
Expected dividend yield	0.00%

Risk-Free Interest Rate The risk-free interest rate assumption was based on U.S. Treasury instruments with a term that is consistent with the expected term of the Company’s stock options.

Expected Volatility The expected stock price volatility for the Company’s common stock was determined by examining the historical volatility and trading history for its common stock over a term consistent with the expected term of its options.

Expected Term The expected term of stock options represents the weighted average period the stock options are expected to remain outstanding. It was calculated based on the Company’s historical experience with its stock option grants.

Expected Dividend Yield The expected dividend yield of 0% is based on the Company’s history and expectation of dividend payouts. The Company has not paid and does not anticipate paying any dividends in the near future.

Forfeitures Stock compensation expense recognized in the statements of operations for the nine months ended September 30, 2022 is based on awards ultimately expected to vest, and it has been reduced for estimated forfeitures. ASC 718 requires forfeitures to be estimated at

the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures were estimated based on the Company's historical experience.

2016 Stock Incentive Plan, as Amended

In June 2016, the Company adopted the 2016 Plan. Under the 2016 Plan, with the approval of the Board's Compensation Committee, the Company could grant stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units, cash-based awards or other stock-based awards. On June 13, 2019, the Company's stockholders approved an amendment to the 2016 Plan which increased the number of shares of common stock authorized for issuance under the 2016 Plan to a total of 750,000 shares, up from 150,000 previously authorized. On June 10, 2021, the Company's stockholders approved an additional amendment to the 2016 Plan which increased the number of shares of common stock authorized for issuance under the 2016 Plan to a total of 1.5 million shares, up from 750,000 previously authorized. In June 2022, the 2016 Plan was superseded and replaced by the 2022 Plan and no new awards will be granted under the 2016 Plan going forward. Any awards outstanding under the 2016 Plan on the date of approval of the 2022 Plan remain subject to the 2016 Plan. Upon approval of the 2022 Plan, all shares of common stock remaining authorized and available for issuance under the 2016 Plan and any shares subject to outstanding awards under the 2016 Plan that subsequently expire, terminate, or are surrendered or forfeited for any reason without issuance of shares automatically become available for issuance under our 2022 Plan.

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The following table summarizes the outstanding stock options under the 2016 Plan for the nine months ended September 30, 2022.

	<u>Outstanding Options</u>	
	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>
Balances at December 31, 2021	663,250	\$ 1.90
Options cancelled/forfeited	(195,000)	\$ 1.62
Balances at September 30, 2022	468,250	\$ 2.02

2016 Plan Stock Options

Stock options granted under the 2016 Plan could be either incentive stock options ("ISOs") or nonqualified stock options ("NSOs"). ISOs could be granted only to employees. NSOs could be granted to employees, consultants and directors. Stock options under the 2016 Plan could be granted with a term of up to ten years and at prices no less than fair market value at the time of grant. Stock options granted under the 2016 Plan generally vest over three to four years.

The Company chose the "straight-line" attribution method for allocating compensation costs of each stock option granted under the 2016 Plan over the requisite service period using the Black-Scholes Option Pricing Model to calculate the grant date fair value.

The Company recorded compensation expense for these stock option grants under the 2016 Plan of \$25,831 and \$139,983 for the three months ended September 30, 2022 and 2021, and \$91,536 and \$322,641 for the nine months ended September 30, 2022 and 2021, respectively.

As of September 30, 2022, there were unrecognized compensation costs of approximately \$64,309 related to non-vested stock option awards under the 2016 Plan that will be recognized on a straight-line basis over the weighted average remaining vesting period of 0.62 years.

1999 Stock Plan, as Amended and Restated

In October 2000, the Company adopted the 1999 Stock Plan, as amended and restated on June 17, 2008 (the "1999 Plan"). Under the 1999 Plan, with the approval of the Compensation Committee of the Board of Directors, the Company could grant stock options, restricted stock, stock appreciation rights and new shares of common stock upon exercise of stock options. On March 13, 2014, the Company's stockholders approved an amendment to the 1999 Plan which increased the number of shares of common stock authorized for issuance under the 1999 Plan to a total of 200,000 shares, up from 15,000 previously authorized. On September 15, 2015, the Company's stockholders approved an additional amendment to the 1999 Plan which increased the number of shares of common stock authorized for issuance under the 1999 Plan to a total of 250,000 shares, up from 200,000 previously authorized. The 1999 Plan expired on June 17, 2018 and no new grants may be made under that plan after that date. However, unexpired awards granted under the 1999 Plan remain outstanding and subject to the terms of the 1999 Plan.

1999 Plan Stock Options

Stock options granted under the 1999 Plan may be ISOs or NSOs. ISOs could be granted only to employees. NSOs could be granted to employees, consultants and directors. Stock options under the 1999 Plan could be granted with a term of up to ten years and at prices no less than fair market value for ISOs and no less than 85% of the fair market value for NSOs. Stock options granted generally vest over one to three years.

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The following table summarizes the outstanding stock options under the 1999 Plan for the nine months ended September 30, 2022:

	<u>Outstanding Options</u>	
	<u>Number of Shares</u>	<u>Weighted Average</u>

		Exercise Price
Balances at December 31, 2021	36,317	\$ 42.26
Options cancelled/forfeited	(17,597)	\$ 28.00
Balances at September 30, 2022	18,720	\$ 55.66

The Company chose the “straight-line” attribution method for allocating compensation costs of each stock option over the requisite service period using the Black-Scholes Option Pricing Model to calculate the grant date fair value.

The Company recorded compensation expense for stock option grants of \$0 and \$1,290 for the three and nine months ended September 30, 2022 and 2021, respectively.

As of September 30, 2021, there were no unrecognized compensation costs related to non-vested stock option awards under the 1999 Plan.

Inducement Stock Options

The Company granted two employment inducement stock option awards, one for 100,000 shares of common stock and the other for 250,000 shares of common stock, to its new CEO on July 6, 2021.

The employment inducement stock option for 100,000 shares of common stock was awarded in accordance with the employment inducement award exemption provided by Nasdaq listing rule 5635(c)(4) and was therefore not awarded under the Company’s stockholder approved equity plan. The option award was to vest as follows: 50% upon initiation of a Phase 3 trial for levosimendan by June 30, 2022; and 50% upon initiation of a Phase 3 trial for imatinib by June 30, 2022. The options had a 10-year term and an exercise price of \$1.97 per share, the July 6, 2021 closing price of our common stock. As of June 30, 2022, none of the vesting milestones had been achieved and the options were subsequently cancelled. The estimated fair value of this inducement stock option award was \$178,291 using a Black-Scholes option pricing model based on market prices and the following assumptions at the date of inducement option grant: risk-free interest rate of 1.37%, dividend yield of 0%, volatility factor for our common stock of 103.50% and an expected life of 10 years.

The employment inducement stock option award for 250,000 shares of common stock also was awarded in accordance with the employment inducement award exemption provided by Nasdaq listing rule 5635(c)(4) and was therefore not awarded under the Company’s stockholder approved equity plan. The option award will vest as follows: 25% on the one-year anniversary of the CEO’s employment start date and an additional 25% on each of the following three anniversaries of the CEO’s employment start date, subject to continued employment. The options have a 10-year term and an exercise price of \$1.97 per share, the July 6, 2021 closing price of our common stock. As of September 30, 2022, none of the vesting milestones have been achieved. The estimated fair value of this inducement stock option award was \$403,180 using a Black-Scholes option pricing model based on market prices and the following assumptions at the date of inducement option grant: risk-free interest rate of 1.13%, dividend yield of 0%, volatility factor for our common stock of 99.36% and an expected life of 7 years.

The Company granted an employment inducement stock option award for 250,000 shares of common stock to our chief medical officer on January 15, 2021. This employment inducement stock option was awarded in accordance with the employment inducement award exemption provided by Nasdaq listing rule 5635(c)(4) and was therefore not awarded under the Company’s stockholder approved equity plan. The option award will vest as follows: 25% upon initiation of a Phase 3 trial; 25% upon database lock; 25% upon acceptance for review of an investigational NDA; and 25% upon approval. The options have a 10-year term and an exercise price of \$1.78 per share, the January 15, 2021 closing price of our common stock. As of September 30, 2022, none of the remaining vesting milestones have been achieved. The estimated fair value of the inducement stock option award granted was \$402,789 using a Black-Scholes option pricing model based on market prices and the following assumptions at the date of inducement option grant: risk-free interest rate of 1.11%, dividend yield of 0%, volatility factor for our common stock of 103.94% and an expected life of 10 years.

Inducement stock option compensation expense totaled \$24,296 and \$117,741 for the three and nine months ended September 30, 2022, respectively. As of September 30, 2022, there was approximately \$468,000 of remaining unrecognized compensation expense related to these inducement stock options.

NOTE 9. SUBSEQUENT EVENTS

Common Shares Issued

Subsequent to September 30, 2022, the Company issued 14,716,032 shares of its common stock upon the exercise of pre-funded warrants at an exercise price of \$0.0001.

Cost Reduction Measures

As a part of the Company’s cost-cutting measures, on November 1, 2022, the Company relocated its corporate headquarters to a shared office space for a monthly fee and the majority of its employees now work remotely.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q and with the audited condensed consolidated financial statements and related notes thereto included as part of our Annual Report on Form 10-K for the year ended December 31, 2021. All references in this Quarterly Report to “Tenax Therapeutics,” “we,” “our” and “us” means Tenax Therapeutics, Inc.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, which are subject to the “safe harbor” created by those sections. Forward-looking statements are based on our management’s beliefs and assumptions and on information currently available to them. In some cases you can identify forward-looking statements by words such as “might,” “may,” “will,” “should,” “could,” “would,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “projects,” “predicts,” “potential” and similar expressions intended to identify forward-looking statements. These statements reflect our current view with respect to future events and are subject to risks, uncertainties and assumptions related to various factors that could cause actual results and the timing of events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the section titled “Risk Factors” included in this Quarterly Report on Form 10-Q and in our most recent Annual Report on Form 10-K filed with the SEC. Furthermore, such forward-looking statements speak only as of this Quarterly Report on Form 10-Q. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

Recent Events

In September 2022, the Company announced that it has turned its primary focus to the careful evaluation of alternative strategic paths focused on maximizing stockholder value including, among other things, a sale, merger, or other strategic transaction. There can be no assurance, however, that this process will result in a transaction or other alternative. To optimize our financial resources through this strategic review process, the Company shifted the anticipated launch of the imatinib Phase 3 trial in PAH, previously anticipated to begin in 2H 2022, into 2023, pending the outcome of the strategic process.

The Company also has taken steps to reduce its monthly operating expenses and conserve cash as it explores strategic alternatives. The Company has cancelled substantially all of its non-essential operating expenses such as consulting, dues and subscriptions and office supplies. The Company has delayed its clinical trial programs. On November 1, 2022, the Company relocated its corporate headquarters to a shared office space and a majority of its employees now work remotely. The Company intends to continue to look for additional opportunities to reduce costs.

Business Overview and Strategy

As announced in September 2022, the Company has turned its primary focus to the careful evaluation of alternative strategic paths focused on maximizing stockholder value. Until now, our principal business objective has been to identify, develop, and commercialize late-stage pharmaceutical therapeutic products for serious cardiovascular and pulmonary diseases with high unmet medical need. The Company has been developing TNX-201 (modified release imatinib) for the treatment of pulmonary arterial hypertension (PAH) and TNX-103 (oral levosimendan) for the treatment of Pulmonary Hypertension with Heart Failure with Preserved Ejection Fraction (PH-HFpEF). Both TNX-201 and TNX-103 are Phase 3-ready assets, each with the potential to meaningfully impact the quality and longevity of patient lives. Pending the outcome of our strategic process, the key elements of our business strategy are outlined below.

- *Efficiently conduct clinical development to establish clinical proof of principle in new indications, refine formulation, and commence Phase 3 testing of our current product candidates.*
Levosimendan and imatinib have been approved and prescribed globally for more than 20 years, but we believe their mechanisms of action have not been fully exploited, despite promising evidence they may significantly improve the lives of patients with pulmonary hypertension. We have been conducting clinical development with the intent to establish proof of beneficial activity in cardiopulmonary diseases in which these therapeutics would be expected to have benefit for patients with diseases for which either no pharmaceutical therapies are approved at all, or in the case of PAH, where numerous expensive therapies generally offer a modest reduction of symptoms. Our focus has been primarily on designing and executing formulation improvements, protecting these innovations with patents and other forms of exclusivity, and employing innovative clinical trial science to establish a robust foundation for subsequent development, product approval, and commercialization.
- *Efficiently explore new high-potential therapeutic applications, in particular where expedited regulatory pathways are available, leveraging third-party research collaborations and our results from related areas*
Levosimendan has shown promise in multiple disease areas in its two decades of use following its approval. In order to achieve our objectives of developing these medicines for new groups of patients, we have established collaborative research relationships with investigators from leading research and clinical institutions, and our strategic partners. Additionally, we believe we will be able to leverage clinical safety data and preclinical results from some programs to support accelerated clinical development efforts in other areas, saving substantial development time and resources compared to traditional drug development.
- *Continue to expand our intellectual property portfolio.*
Our intellectual property, and the confidentiality of all our Company information, is important to our business and we take significant steps to protect its value. We have had ongoing research and development efforts, both through internal activities and through collaborative research activities with others, which aim to develop new intellectual property and enable us to file patent applications that cover new applications of our existing technologies, alone or in combination with existing therapies, as well as other product candidates.

On January 4, 2022, the Company was issued US Pat. No. 11,213,524, entitled PHARMACEUTICAL COMPOSITIONS FOR SUBCUTANEOUS ADMINISTRATION OF LEVOSIMENDAN, which is directed towards the use of levosimendan via subcutaneous administration for treating a subject having a health condition of any kind, such as heart failure, pulmonary hypertension including PH-HFpEF, chronic kidney disease, stroke, or other health conditions. The patent is expected to expire no earlier than 2039, exclusive of any possible extensions. The Company also has a PCT international application pending, with a U.S. counterpart already under examination, that describes and claims methods of treating the Company’s first intended clinical indication, PH-HFpEF, by providing levosimendan by any route of administration.

- *Enter into licensing or product co-development arrangements.*
In addition to our internal development efforts, an important part of our product development strategy is to work with collaborators and partners to accelerate product development, maintain our low development and business operations costs, and broaden our commercialization capabilities globally.

As we focus on our strategic process, we also continue to position ourselves to execute upon licensing and other partnering opportunities. To do so, we will need to continue to maintain our strategic direction, manage and deploy our available cash efficiently and strengthen our collaborative research development and partner relationships.

Historically, we have financed our operations principally through equity and debt offerings, including private placements and loans from our stockholders. Based on our current operating plan, there is substantial doubt about our ability to continue as going concern. Management has implemented certain cost-cutting measures as described above and is actively exploring a diverse range of strategic options to help drive stockholder value including, among other things, a sale, merger, or other strategic transaction and continues to seek additional sources of equity and/or debt financing; however, there is no assurance that these efforts will result in a transaction or other alternative or that any additional funding will be available. Our ability to continue as a going concern depends on our ability to raise additional capital, through the sale of equity or debt securities and through collaboration and licensing agreements, to support our future operations. If we are unable to complete a strategic transaction or secure additional capital, we may be required to curtail our research and development initiatives and take additional measures to reduce costs.

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Financial Overview

Results of Operations - Comparison of the Three Months Ended September 30, 2022 and 2021

General and Administrative Expenses

General and administrative expenses were \$1.4 million for the three months ended September 30, 2022, compared to \$2.6 million for the same period in 2021. General and administrative expenses consist primarily of compensation for executive, finance, legal and administrative personnel, including stock-based compensation. Other general and administrative expenses include facility costs not otherwise included in research and development expenses, legal and accounting services, and other professional and consulting services. General and administrative expenses and percentage changes for the three months ended September 30, 2022 and 2021, respectively, are as follows:

	Three months ended September 30,		Increase/ (Decrease)	% Increase/ (Decrease)
	2022	2021		
Personnel costs	\$ 489,369	\$ 1,898,685	\$ (1,409,316)	(74)%
Legal and professional fees	668,172	527,603	140,569	27%
Other costs	180,390	174,229	6,161	4%
Facilities	39,352	39,403	(51)	(0)%

Personnel costs decreased approximately \$1.4 million for the three months ended September 30, 2022, compared to the same period in the prior year. The decrease was primarily due to headcount reductions, and severance paid to officers in the prior year that were not incurred in the current period.

Legal and professional fees increased approximately \$141,000 for the three months ended September 30, 2022, compared to the same period in the prior year. Professional fees consist of costs incurred for accounting fees, capital market expenses, consulting fees and investor relations services, as well as fees paid to the members of our Board of Directors.

Legal fees decreased approximately \$143,000 for the three months ended September 30, 2022, compared to the same period in the prior year. The decrease was primarily due to the legal fees associated with securities filings, equity financing and employment related costs in the prior year that were not incurred in the current period.

Professional fees increased approximately \$284,000 for the three months ended September 30, 2022, compared to the same period in the prior year. The increase was primarily attributable to an increase consulting expenses and financial advisory services that were not incurred in the prior period, offset by a reduction in capital market expenses in the current period.

Other costs increased approximately \$6,000 for the three months ended September 30, 2022, compared to the same period in the prior year. Other costs include expenses incurred for franchise and other taxes, travel, supplies, insurance, depreciation and other miscellaneous charges. The increase was primarily attributable to increased costs for insurance and travel expenses, offset by decreases in franchise and other taxes.

Facilities costs include costs paid for rent and utilities at our corporate headquarters in North Carolina. Facilities costs remained relatively unchanged for the three months ended September 30, 2022 and 2021.

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Research and Development Expenses

Research and development expenses were \$1.5 million for the three months ended September 30, 2022, compared to \$1.2 million for the same period in the prior year. Research and development expenses include, but are not limited to, (i) expenses incurred under agreements with contract research organizations, or CROs, and investigative sites, which conduct our clinical trials and a substantial portion of our pre-clinical studies; (ii) the cost of supplying clinical trial materials; (iii) payments to contract service organizations, as well as consultants; (iv) employee-related expenses, which include salaries and benefits; and (v) facilities, depreciation and other allocated expenses, which include direct and allocated expenses for rent and maintenance of facilities and equipment, depreciation of leasehold improvements, equipment, and other supplies. All research and development expenses are expensed as incurred. Research and development expenses and percentage changes for the three months ended September 30, 2022 and 2021, respectively, are as follows:

	Three months ended September 30,		Increase/ (Decrease)	% Increase/ (Decrease)
	2022	2021		
Clinical and preclinical development	\$ 1,376,795	\$ 1,014,124	\$ 362,671	36%
Personnel costs	146,685	138,355	8,330	6%

Other costs	16,725	9,891	6,834	69%
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Clinical and preclinical development costs increased approximately \$363,000 for the three months ended September 30, 2022, compared to the same period in the prior year. Clinical and preclinical development costs consist of expenses associated with our ongoing Phase 2 HELP Open Label Extension Study for levosimendan, costs associated with our imatinib Phase 1 Pharmacokinetics Study, imatinib Phase 3 IMPROVE Study, and development costs associated with the formulation for imatinib. The increase is primarily attributable to costs associated with formulation development and Phase 3 costs associated with imatinib in the current period that were not incurred in the same period in the prior year.

Personnel costs remained relatively unchanged for the three months ended September 30, 2022 and 2021.

Other costs increased approximately \$7,000 for the three months ended September 30, 2022, compared to the same period in the prior year, primarily due to consulting expenses incurred in the current period.

Other Income and Expense

Other income and expense include non-operating income and expense items not otherwise recorded in our consolidated statement of comprehensive loss. These items include, but are not limited to, changes in the fair value of financial assets and derivative liabilities, interest income earned and fixed asset disposals. Other expense decreased approximately \$3,000 for the three months ended September 30, 2022, compared to the same period in the prior year. This decrease is due primarily to the bond interest income earned in the prior period.

Results of Operations - Comparison of the Nine Months Ended September 30, 2022 and 2021

General and Administrative Expenses

General and administrative expenses were \$4.3 million for the nine months ended September 30, 2022, compared to \$5.3 million for the same period in 2021. General and administrative expenses consist primarily of compensation for executive, finance, legal and administrative personnel, including stock-based compensation. Other general and administrative expenses include facility costs not otherwise included in research and development expenses, legal and accounting services, other professional services, and consulting fees. General and administrative expenses and percentage changes for the nine months ended September 30, 2022 and 2021, respectively, are as follows:

	Nine months ended		Increase/ (Decrease)	% Increase/ (Decrease)
	September 30, 2022	September 30, 2021		
Personnel costs	\$ 1,617,284	\$ 3,405,369	\$ (1,788,085)	(53)%
Legal and professional fees	1,918,403	1,253,273	665,130	53%
Other costs	606,538	505,097	101,441	20%
Facilities	113,229	120,919	(7,690)	(6)%

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Personnel costs decreased approximately \$1.8 million for the nine months ended September 30, 2022, compared to the same period in the prior year. The decrease was primarily due to headcount reductions in the current period, as well as severance paid to officers in the prior period, compared to the same period in the prior year.

Legal and professional fees increased approximately \$665,000 for the nine months ended September 30, 2022, compared to the same period in the prior year. Professional fees consist of costs incurred for accounting fees, capital market expenses, consulting fees and investor relations services, as well as fees paid to the members of our Board of Directors.

Legal fees increased approximately \$287,000 for the nine months ended September 30, 2022, compared to the same period in the prior year. The increase was primarily due to the legal fees associated with securities filings, outsourcing the in-house legal function and IP costs that were not incurred during the same period in the prior year.

Professional fees increased approximately \$378,000 for the nine months ended September 30, 2022, compared to the same period in the prior year. The increase was primarily attributable to an increase consulting expenses and financial advisory services that were not incurred in the prior period, offset by a reduction in capital market expenses in the current period.

Other costs increased approximately \$101,000 for the nine months ended September 30, 2022, compared to the same period in the prior year. Other costs include expenses incurred for franchise and other taxes, travel, supplies, insurance, depreciation and other miscellaneous charges. The increase was primarily attributable to increased costs for insurance, dues and travel expenses offset by decreases in franchise and other taxes.

Facilities costs include costs paid for rent and utilities at our corporate headquarters in North Carolina. Facilities costs decreased due to a reduction in utilities and common area maintenance expenses in the current year.

Research and Development Expenses

Research and development expenses were \$4.2 million for the nine months ended September 30, 2022, compared to \$24.2 million for the same period in the prior year. Research and development expenses include, but are not limited to, (i) expenses incurred under agreements with CROs and investigative sites, which conduct our clinical trials and a substantial portion of our pre-clinical studies; (ii) the cost of manufacturing and supplying clinical trial materials; (iii) payments to contract service organizations, as well as consultants; (iv) employee-related expenses, which include salaries and benefits; and (v) facilities, depreciation and other allocated expenses, which include direct and allocated expenses for rent and maintenance of facilities and equipment, depreciation of leasehold improvements, equipment, laboratory and other supplies. All research and development expenses are expensed as incurred. Research and development expenses and percentage changes for the nine months ended September 30, 2022 and 2021, respectively, are as follows:

	Nine months ended September 30,		Increase/ (Decrease)	% Increase/ (Decrease)
	2022	2021		
Clinical and preclinical development	\$ 3,751,696	\$ 2,063,211	\$ 1,688,485	82%
Personnel costs	466,223	417,304	48,919	12%
Other costs	24,646	21,751,279	(21,726,633)	(100)%

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Clinical and preclinical development costs increased approximately \$1.7 million for the nine months ended September 30, 2022, compared to the same period in the prior year. Clinical and preclinical development costs consist of expenses associated with our ongoing Phase 2 HELP Open Label Extension Study for levosimendan, costs associated with our imatinib Phase 1 Pharmacokinetics Study, imatinib Phase 3 IMPROVE Study, and development costs associated with the formulation for imatinib. The increase is primarily attributable to an approximately increase in our Phase 1 trial and approximately \$2.4 million of Phase 3 costs associated with imatinib in the current period that were not incurred in the same period in the prior year. These expenses were offset by a decrease of approximately \$447,000 of costs associated with our levosimendan ongoing trials, and \$270,000 decrease in costs associated with formulation development.

Personnel costs increased approximately \$48,000 for the nine months ended September 30, 2022, compared to the same period in the prior year, primarily due to an increase in salaries and benefit expenses in the current year.

Other costs decreased approximately \$21.7 million for the nine months ended September 30, 2022, compared to the same period in the prior year, primarily attributable to the recognition of in-process research and development acquired as part of the merger with PHPM in the prior period. There were no such expenses incurred in the same period in the current year.

Other Income and Expense

Other income and expense include non-operating income and expense items not otherwise recorded in our consolidated statement of comprehensive loss. These items include, but are not limited to, changes in the fair value of financial assets and derivative liabilities, interest income earned and fixed asset disposals. Other income decreased approximately \$250,000 for the nine months ended September 30, 2022, compared to the same period in the prior year. This decrease is due primarily to the forgiveness of our PPP Loan in the prior period.

Liquidity, Capital Resources and Plan of Operation

We have incurred losses since our inception and, as of September 30, 2022, we had an accumulated deficit of approximately \$287.0 million. We anticipate that operating losses will continue for the foreseeable future. We continue to assess any potential strategic alternatives, and pending the outcome of that process, we will continue to incur losses until we generate sufficient revenue to offset our expenses, and we anticipate that we will continue to incur net losses for at least the next several years.

We have focused on developing our two product candidates, imatinib and levosimendan; however, pending the outcome of our strategic process, we will need substantial additional capital in the future in order to complete the development and potential commercialization of imatinib and levosimendan, and to continue with the development of other potential product candidates. The process of conducting preclinical studies and clinical trials necessary to obtain approval from the FDA is costly and time consuming. The probability of success for each product candidate and clinical trial may be affected by a variety of factors, including, among other things, the quality of the product candidate's early clinical data, investment in the program, competition, manufacturing capabilities and commercial viability. As a result of the uncertainties discussed above, including the uncertainty associated with our strategic process and uncertainty associated with clinical trial enrollment and risks inherent in the development process, we are unable to determine the duration and completion costs of current or future clinical stages of our product candidates or when, or to what extent, we will generate revenues from the commercialization and sale of any of our product candidates. Development timelines, probability of success and development costs vary widely.

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Liquidity

We have financed our operations since September 1990 through the issuance of debt and equity securities and loans from stockholders. We had total current assets of \$4.5 million and \$5.7 million and working capital of \$3.8 million and \$4.1 million as of September 30, 2022 and December 31, 2021, respectively. Our practice is to invest excess cash, where available, in short-term money market investment instruments and high quality corporate and government bonds.

Cash Flows

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

	Nine months ended September 30,	
	2022	2021
Net cash used in operating activities	\$ (9,699,791)	\$ (8,087,748)
Net cash (used in) provided by investing activities	(6,323)	454,307
Net cash provided by financing activities	7,928,591	9,737,275

Net cash used in operating activities. Net cash used in operating activities was approximately \$9.7 million for the nine months ended September 30, 2022 compared to approximately \$8.1 million for the nine months ended September 30, 2021. The increase in cash used for operating activities was primarily

due to an increase in prepaid expenses, offset by a decrease in our accounts payable in the current period, compared to the prior year.

Net cash (used in) provided by investing activities. Net cash used in investing activities was \$6,323 for the nine months ended September 30, 2022, compared to net cash provided by investing activities of \$454,307 in the nine months ended September 30, 2021. The decrease in investing activities was primarily due to the sale of marketable securities in the prior period where no such sales were made in the current period.

Net cash provided by financing activities. Net cash provided by financing activities was approximately \$7.9 million for the nine months ended September 30, 2022, compared to \$9.7 million in the nine months ended September 30, 2021. The decrease in cash provided by financing activities was primarily due to the net proceeds of approximately \$7.9 million from the May 2022 offering compared to the net proceeds from the sale of units in our July 2021 private placement of \$9.2 million and the exercise of stock warrants of \$0.5 million in the prior year.

Operating Capital and Capital Expenditure Requirements

Our future success is largely dependent on our ability to identify and ultimately consummate a strategic transaction and secure additional funding. Potential strategic alternatives to be explored and evaluated during the review process might include, among other things, a sale, merger, or other strategic transaction. We are actively working with Roth Capital Partners in this assessment process.

We are subject to a number of risks similar to other clinical companies that have determined to focus primarily on pursuing a strategic transaction, including, but not limited to, those which are described under Part II Item 1A. Risk Factors of this Quarterly Report on Form 10-Q. We will incur substantial expenses if and as we:

- explore, evaluate and pursue any alternatives in connection with the strategic process we have initiated;
- reduce any personnel and incur associated costs, if any;
- terminate any contracts associated with the development of our products and business operations; and
- seek to maintain and protect our intellectual property portfolio.

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Pending the outcome of our strategic process, our future capital requirements will depend on many factors that include, but are not limited to the following:

- the initiation, progress, timing and completion of clinical trials for our product candidates and potential product candidates;
- the outcome, timing and cost of regulatory approvals and the regulatory approval process;
- delays that may be caused by changing regulatory requirements;
- the number of product candidates that we pursue;
- the costs involved in filing and prosecuting patent applications and enforcing and defending patent claims;
- the timing and terms of future collaboration, licensing, consulting or other arrangements that we may enter into;
- the cost and timing of establishing sales, marketing, manufacturing and distribution capabilities;
- the cost of procuring clinical and commercial supplies of our product candidates; and
- the possible costs of litigation.

Based on our working capital on September 30, 2022, we believe we have sufficient capital on hand to continue to fund operations through the first quarter of calendar year 2023.

Pending the outcome of our strategic process and until we can generate a sufficient amount of product revenue, if ever, we expect to finance future cash needs through public or private equity offerings, debt financings or corporate collaboration and licensing arrangements. Such funding may not be available on favorable terms, if at all. If we are unable to raise additional funds when needed or consummate a strategic alternative, we may be required to eliminate one or more of our clinical trials completely, further delaying approval of levosimendan or our commercialization efforts. In addition, our Board of Directors may decide to pursue a dissolution and liquidation of our Company. As a result of our historical operating losses and expected future negative cash flows from operations, we have concluded that there is substantial doubt about our ability to continue as a going concern. Similarly, the report of our independent registered public accounting firm on our December 31, 2021 consolidated financial statements include an explanatory paragraph indicating that there is substantial doubt about our ability to continue as a going concern. Substantial doubt about our ability to continue as a going concern may materially and adversely affect the price per share of our common stock and make it more difficult to obtain financing.

To the extent that we are able to raise additional funds by issuing equity securities, our stockholders may experience additional significant dilution, and debt financing, if available, may involve restrictive covenants. To the extent that we are able raise additional funds through collaboration and licensing arrangements, it may be necessary to relinquish some rights to our technologies or our product candidates or grant licenses on terms that may not be favorable to us.

Critical Accounting Policies and Significant Judgments and Estimates

Our unaudited condensed consolidated financial statements have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities

at the date of the financial statements, as well as the expenses during the reporting periods. These items are monitored and analyzed by us for changes in facts and circumstances, and material changes in these estimates could occur in the future. We base our estimates on historical experience and on 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 readily apparent from other sources. Changes in estimates are reflected in reported results for the period in which they become known. Actual results may differ materially from these estimates under different assumptions or conditions. For information regarding our critical accounting policies and estimates, please refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Summary of Critical Accounting Policies” contained in our Annual Report on Form 10-K for the year ended December 31, 2021 and Note 2 to our unaudited condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

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Off-Balance Sheet Arrangements

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Smaller reporting companies are not required to provide the information required by this item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As required by paragraph (b) of Rules 13a-15 and 15d-15 promulgated under the Exchange Act, under the supervision and with the participation of our management, including our President and Chief Executive Officer and our Interim Chief Financial Officer, we conducted an evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, of the effectiveness of our disclosure controls and procedures as defined in Exchange Act Rules 13a-15(e) and 15d-15(e).

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

Based on their evaluation, our President and Chief Executive Officer and Interim Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2022, the end of the period covered by this Quarterly Report on Form 10-Q, in that they provide reasonable assurance that the information we are required to disclose in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods required by the SEC and is accumulated and communicated to our management, including our President and Chief Executive Officer and Interim Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We routinely review our internal controls over financial reporting and from time to time make changes intended to enhance the effectiveness of our internal control over financial reporting. We will continue to evaluate the effectiveness of our disclosure controls and procedures and internal controls over financial reporting on an ongoing basis and will take action as appropriate.

During the most recently completed fiscal quarter, management reviewed all work generated in support of the financial statements and corresponding footnotes in order to determine areas which may be susceptible to human error. The review focused on limiting manual inputs into work papers wherever possible and tying inputs to external source documents. In addition, management also enhanced its work paper review to compare figures to prior year amounts or source documents and increased the number of calculations in the work papers that are reviewed and re-performed.

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PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There are no material pending legal proceedings to which we are a party or to which any of our property is subject.

ITEM 1A. RISK FACTORS

Other than as set forth below, there were no material changes to the “Risk Factors” included in our Annual Report on Form 10-K for the year ended December 31, 2021. You should carefully consider the information described therein and in this Quarterly Report on Form 10-Q, which could materially affect our financial condition, results of operations and cash flows.

Our exploration of alternative strategic paths may not result in entering into or completing a transaction, and the process of reviewing alternative strategic paths or its conclusion could adversely affect our stock price.

As previously announced, we are evaluating alternative strategic paths focused on maximizing shareholder value. Potential alternative strategic paths to be explored and evaluated during the review process may include a sale, merger, or other strategic transaction. There can be no assurance, however, that this process will result in a transaction or other alternative. There is no set timetable for the strategic review process and we do not intend to provide updates unless or until the Board of Directors approves a specific action or otherwise determines that disclosure is appropriate or necessary. Also as previously announced, we have made the strategic decision to shift the anticipated launch of the imatinib Phase 3 trial in PAH into 2023. This decision enables us to conserve cash while we continue to assess potential alternative strategic paths.

There can be no assurance any transaction will result from the Company's evaluation of alternative strategic paths. Any potential transaction would be dependent on a number of factors that may be beyond our control, including, among other things, market conditions, industry trends, the interest of third parties in a potential transaction with us, obtaining stockholder approval and the availability of financing to third parties in a potential transaction with us on reasonable terms. The process of reviewing alternative strategic paths may be time consuming and may involve the dedication of significant resources and may require us to incur significant costs and expenses. It could negatively impact our ability to attract, retain and motivate key employees, and expose us to potential litigation in connection with this process or any resulting transaction. If we are unable to effectively manage the process, our financial condition and results of operations could be adversely affected. In addition, speculation regarding any developments related to the review of strategic alternatives and perceived uncertainties related to the future of our Company could cause our stock price to fluctuate significantly. Further, any alternative strategic path that may be pursued and completed ultimately may not deliver the anticipated benefits or enhance shareholder value. There can be no guarantee that the process of evaluating alternative strategic paths will result in our Company entering into or completing a potential transaction within the anticipated timing or at all.

If we do not successfully complete a strategic transaction, our Board of Directors may decide to pursue a dissolution and liquidation of our 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.

There can be no guarantee that the process to identify a strategic transaction will result in a successfully completed transaction. If no transaction is completed, our Board of Directors may decide that it is in the best interest of our stockholders to dissolve our Company and liquidate our assets. In that 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 and evaluate our strategic alternatives. In addition, if our Board were to approve and recommend, and our stockholders were to approve, a dissolution of our 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 our stockholders. As a result of this requirement, a portion of our assets may 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 our Company. If a dissolution and liquidation were pursued, our Board, in consultation with its 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 dissolution, liquidation or winding up of our Company.

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

As previously reported in the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2022, as filed with the SEC on August 11, 2022, on July 9, 2022, in consideration for their service, we granted stock options to purchase our common stock to certain of our employees and non-employee directors under our 2022 Stock Incentive Plan. The options are exercisable into an aggregate of 571,250 shares of our common stock and have an exercise price of \$0.62 per share. The options granted to our employees will vest in equal annual installments on the anniversary of the date of grant over four years. The options granted to our non-employee directors will vest in full on the first anniversary of the date of grant. The offer, sale and issuance of these options was exempt from registration under Section 4(a)(2) of the Securities Act, as a transaction not involving a public offering.

ITEM 6. EXHIBITS

The following exhibits are being filed or furnished as part of this Quarterly Report on Form 10-Q and are numbered in accordance with Item 601 of Regulation S-K:

Exhibit Number	Description
31.1*	Certification of President and Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
31.2*	Certification of Interim Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
32.1	Certification of President and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Interim Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	Inline XBRL Document Set for the condensed consolidated financial statements and accompanying notes in Part I, Item 1, "Financial Statements" of this Quarterly Report on Form 10-Q.
104*	Inline XBRL for the cover page of this Quarterly Report on Form 10-Q, included in the Exhibit 101 Inline XBRL Document Set.

* Filed herewith

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: November 10, 2022

TENAX THERAPEUTICS, INC.

By: /s/ Eliot M. Lurier
Eliot M. Lurier
Interim Chief Financial Officer
(On behalf of the Registrant and as Principal Financial
and Accounting Officer)

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Christopher T. Giordano, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Tenax 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2022

/s/ Christopher T. Giordano

Christopher T. Giordano
President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Eliot M. Lurier, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Tenax 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2022

/s/ Eliot M. Lurier

Eliot M. Lurier
Interim Chief Financial Officer
(Principal Financial and Accounting Officer)

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

In connection with the Quarterly Report of Tenax Therapeutics, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher T. Giordano, President and Chief Executive Officer (Principal Executive Officer) of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods covered by the Report.

Date: November 10, 2022

/s/ Christopher T. Giordano

Christopher T. Giordano
President and Chief Executive Officer
(Principal Executive Officer)

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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

In connection with the Quarterly Report of Tenax Therapeutics, Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Eliot M. Lurier, Interim Chief Financial Officer (Principal Financial and Accounting Officer) of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods covered by the Report.

Date: November 10, 2022

/s/ Eliot M. Lurier

Eliot M. Lurier
Interim Chief Financial Officer
(Principal Financial and Accounting Officer)

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.