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

# FORM 10-Q

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

**FOR THE QUARTERLY PERIOD ENDED June 30, 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** | **26-2593535** |
|---|---|
| **(State of incorporation)** | **(I.R.S. Employer Identification No.)** |

**ONE Copley Parkway, Suite 490, Morrisville, NC 27560**
**(Address of principal executive offices)**

**(919) 855-2100**
**(Registrant's telephone number, including area code)**

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, $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 | ☐ | Accelerated filer | ☐ |
| Non-accelerated Filer | ☒ | Smaller reporting company | ☒ |
| Emerging growth company | ☐ | | |

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

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

As of August 8, 2022 the registrant had outstanding 25,206,914 shares of Common Stock.

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## PART I - FINANCIAL INFORMATION

**Item 1. CONDENSED Consolidated Financial Statements**

### TENAX THERAPEUTICS, INC.

### CONDENSED CONSOLIDATED BALANCE SHEETS

| | June 30, 2022 (Unaudited) | December 31, 2021 |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Cash and cash equivalents | $ 7,229,179 | $ 5,583,922 |
| Prepaid expenses | 872,363 | 105,078 |
| Total current assets | 8,101,542 | 5,689,000 |
| Right of use asset | 234,662 | 287,692 |
| Property and equipment, net | 10,844 | 7,108 |
| Other assets | 8,435 | 8,435 |
| Total assets | $ 8,355,483 | $ 5,992,235 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities | | |
| Accounts payable | $ 919,384 | $ 859,638 |
| Accrued liabilities | 434,539 | 704,340 |
| Note payable | 91,875 | - |
| Total current liabilities | 1,445,798 | 1,563,978 |
| Long term liabilities | | |
| Lease liability | 125,883 | 183,589 |
| Total long term liabilities | 125,883 | 183,589 |
| Total liabilities | 1,571,681 | 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 June 30, 2022 and December 31, 2021, respectively | - | - |
| Common stock, par value $0.0001 per share; authorized 400,000,000 shares; issued and outstanding 25,206,914, as of June 30, 2022 and December 31, 2021, respectively | 2,521 | 2,521 |
| Additional paid-in capital | 290,858,023 | 282,736,332 |
| Accumulated deficit | (284,076,742) | (278,494,185) |
| Total stockholders' equity | 6,783,802 | 4,244,668 |
| Total liabilities and stockholders' equity | $ 8,355,483 | $ 5,992,235 |

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 June 30, | Six months ended June 30, |
|---|---|---|

| | 2022 (Unaudited) | 2021 (Unaudited) | 2022 (Unaudited) | 2021 (Unaudited) |
|---|---|---|---|---|
| Operating expenses | | | | |
| General and administrative | $ 1,337,427 | $ 1,271,278 | $ 2,878,171 | $ 2,644,738 |
| Research and development | 1,524,465 | 693,222 | 2,702,360 | 23,069,424 |
| Total operating expenses | 2,861,892 | 1,964,500 | 5,580,531 | 25,714,162 |
| Net operating loss | 2,861,892 | 1,964,500 | 5,580,531 | 25,714,162 |
| Interest expense | 1,484 | 336 | 4,071 | 949 |
| Other (income) expense, net | (2,355) | (247,820) | (2,045) | (249,955) |
| Net loss | $ 2,861,021 | $ 1,717,016 | $ 5,582,557 | $ 25,465,156 |
| Unrealized (gain) loss on marketable securities | - | (128) | - | 204 |
| Total comprehensive loss | $ 2,861,021 | $ 1,716,888 | $ 5,582,557 | $ 25,465,360 |
| Net loss per share, basic and diluted | $ (0.11) | $ (0.10) | $ (0.22) | $ (1.60) |
| Weighted average number of common shares outstanding, basic and diluted | 25,206,914 | 17,218,103 | 25,206,914 | 15,874,062 |

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 | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Number of Shares | Amount | Number of Shares | Amount | Additional paid-in capital | Accumulated other comprehensive gain (loss) | Accumulated deficit | Total stockholders' equity |
| **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** |
| **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-fiunded 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** |

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**

| | Six months ended June 30, | |
|---|---|---|
| | 2022 | 2021 |
| | (Unaudited) | (Unaudited) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net Loss | $ (5,582,557) | $ (25,465,156) |
| Adjustments to reconcile net loss to net cash used in operating activities | | |
| Depreciation and amortization | 2,588 | 2,026 |
| Interest on debt instrument | 4,071 | 949 |
| Amortization of right of use asset | 53,029 | 53,859 |
| Gain on debt settlement and extinguishment | | (247,233) |
| Issuance and vesting of compensatory stock options and warrants | 193,100 | 183,948 |
| Issuance of common stock and preferred stock for asset acquisition | - | 21,582,331 |
| Amortization of premium on marketable securities | - | 6,896 |
| Changes in operating assets and liabilities | | |
| Accounts receivable, prepaid expenses and other assets | (771,355) | (267,284) |
| Accounts payable and accrued liabilities | (210,056) | (923,295) |
| Long term portion of lease liability | (57,706) | 6,720 |
| Net cash used in operating activities | (6,368,886) | (5,066,239) |
| | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Sale of marketable securities | - | 290,184 |
| Purchase of marketable securities | - | (345,540) |
| Purchase of property and equipment | (6,323) | (1,875) |
| Net cash provided by investing activities | (6,323) | (57,231) |
| | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issuance of warrants and pre-funded warrants, net of issuance costs | 7,928,591 | - |
| Proceeds from the issuance of note payable | 364,546 | - |
| Payments on short-term note | (272,671) | - |
| Proceeds from the exercise of warrants | - | 544,651 |
| Net cash provided by financing activities | 8,020,466 | 544,651 |
| | | |
| Net change in cash and cash equivalents | 1,645,257 | (4,578,819) |
| Cash and cash equivalents, beginning of period | 5,583,922 | 6,250,241 |
| Cash and cash equivalents, end of period | $ 7,229,179 | $ 1,671,422 |
| | | |
| Non-cash investing activity | | |
| Addition to right of use asset obtained from new operating lease liability | $ - | $ 333,779 |

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



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**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.

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. 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 $284.1 million on June 30, 2022 and $278.5 million on December 31, 2021 and used cash in operations of $6.4 million and $5.1 million during the six months ended June 30, 2022 and 2021, respectively. The Company requires substantial additional funds to complete clinical trials and pursue regulatory approvals. Management is actively seeking additional sources of equity and/or debt financing; however, there is no assurance that any additional funding will be available.

In view of the matters described above, recoverability of a major portion of the recorded asset amounts shown in the accompanying June 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.



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**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 June 30, 2022, the Company had cash and cash equivalents of approximately $7.2 million. The Company used $6.4 million of cash for operating activities during the six months ended June 30, 2022 and had stockholders' equity of $6.8 million, versus $4.2 million on December 31, 2021.

The Company expects to continue to incur expenses related to development of imatinib for PAH, levosimendan for pulmonary hypertension, and other potential indications, as well as identifying and developing other potential product candidates. Based on its resources on June 30, 2022, the Company believes that it has sufficient capital to fund its planned operations through the fourth quarter of calendar year 2022. However, 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 will 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.



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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.

The continued spread of COVID-19 globally could adversely affect the Company's clinical trial operations, including its ability to recruit and retain patients, principal investigators and site staff who, as healthcare providers, may have heightened exposure to COVID-19 if an outbreak occurs in their geography. Further, some patients may be unable to comply with clinical trial protocols if quarantines or travel restrictions impede patient movement or interrupt healthcare services, or if the patients become infected with COVID-19 themselves, which would delay the Company's ability to initiate and/or complete planned clinical and preclinical studies in the future.

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.

| | Six months ended June 30, | |
|---|---|---|
| | **2022** | **2021** |
| Warrants to purchase common stock | 31,524,794 | 15,797,503 |
| Pre-funded warrants to purchase common stock | 20,629,301 | 5,260,005 |
| Options to purchase common stock | 1,770,720 | 779,885 |
| 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 June 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 June 30, 2022 and 2021, respectively. Depreciation expense was approximately $2,600 and $2,000 for the six months ended June 30, 2022 and 2021, respectively.

### Accrued liabilities

Accrued liabilities consist of the following:

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| Operating costs | $ 239,534 | $ - |
| Lease liability | 113,156 | 107,192 |
| Employee related | 81,849 | 597,148 |
| | $ 434,539 | $ 704,340 |

## 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 $1,484 and $4,070 for the three and six months ended June 30, 2022, respectively. The balance on the Note as of June 30, 2022 was $91,875.



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## 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.

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:

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| Current portion included in accrued liabilities | $ 113,156 | $ 107,192 |
| Long term lease liability | 125,883 | 183,589 |
| | $ 239,039 | $ 290,781 |

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

| Year ending December 31, | |
|---|---|
| 2022 | $ 64,095 |
| 2023 | 129,797 |
| 2024 | 65,702 |
| Total lease payments | $ 259,594 |
| Less: Imputed interest | (20,555) |
| **Operating lease liability** | $ 239,039 |

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 June 30, 2022, the remaining Lease term is 21 months and the discount rate used to determine the operating lease liability was 8.0%. For the six months ending June 30, 2022, the Company paid $62,121 in total lease expenses, including a net maintenance credit of $396 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.

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 | $ 21,582,331 |
| Tangible assets acquired | $ - |
| Accounts payable assumed | (150,000) |
| Total identifiable net assets | (150,000) |
| IPR&D expense recognized | 21,732,331 |
| Total fair value of consideration | $ 21,582,331 |

**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).



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As of June 30, 2022 and June 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.

**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 PHPM as partial consideration for the Merger with PHPM 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 June 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.



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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.<br><br>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 June 30, 2022, there were 210 shares of Series A Stock outstanding.

***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 June 30, 2022, and December 31, 2021, there were 25,206,914 shares of common stock issued and outstanding. As of June 30, 2022, there were 20,629,301 pre-funded warrants outstanding.

*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 institutional 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 institutional investor. The terms of the amended and restated warrants are described further below under "Note 8—Stockholders Equity—Warrants".



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*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.



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***Warrants***

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

| | Warrants | Weighted Average 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 June 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.

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



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*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 six months ended June 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) |
| **Balances, at June 30, 2022** | 1,348,500 |

*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 six months ended June 30, 2022.

| | Outstanding Options | |
|---|---|---|
| | Number of Shares | Weighted Average Exercise Price |
| **Balances at December 31, 2021** | - | $ - |
| Options granted | 571,250 | $ 0.62 |
| **Balances at June 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 $33,950 for the three months ended June 30, 2022.

As of June 30, 2022, there were unrecognized compensation costs of approximately $259,744 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 2.37 years.

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

| | For the six months ended June 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% |



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| | |
|---|---|
| *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 six months ended June 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.

There was no stock activity under the 2016 Plan for the three and six months ended June 30, 2022.

*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.

As of June 30, 2022, the Company has 663,250 options outstanding. There was no option activity under the 2016 Plan for the three and six months ended June 30, 2022.

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 $29,359 and $92,339 for the three months ended June 30, 2022 and 2021, and $65,705 and $182,658 for the six months ended June 30, 2022 and 2021, respectively.

As of June 30, 2022, there were unrecognized compensation costs of approximately $93,332 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 0.88 years.



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*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.

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

| | Outstanding Options | |
|---|---|---|
| | Number of Shares | Weighted Average Exercise Price |
| **Balances at December 31, 2021** | 36,317 | $ 42.26 |
| Options cancelled | (97) | $ 724.25 |
| **Balances at June 30, 2022** | 36,220 | $ 40.43 |

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 six months ended June 30, 2022 and 2021, respectively.

As of June 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.



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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 June 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 June 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 $46,722 and $93,446 for the three and six months ended June 30, 2022, respectively. As of June 30, 2022, there was approximately $495,000 of remaining unrecognized compensation expense related to these inducement stock options.

**NOTE 9. SUBSEQUENT EVENTS**

None.



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## 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 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.

### Overview

Tenax Therapeutics 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. Effective June 30, 2008, we changed the domiciliary state of the corporation to Delaware and changed the Company name to Oxygen Biotherapeutics, Inc. On September 19, 2014, we changed the Company name to Tenax Therapeutics, Inc.

On November 13, 2013, we acquired a license granting Life Newco, our wholly-owned subsidiary, an 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. On October 9, 2020 and January 25, 2022, we entered into amendments to 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.

On January 15, 2021, we acquired 100% of the equity of PHPrecisionMed Inc., a Delaware corporation, or PHPM, with PHPM surviving as our wholly-owned subsidiary. As a result of the merger, we plan to develop and commercialize pharmaceutical products containing imatinib for the treatment of pulmonary arterial hypertension, or PAH.

### Strategy

Our principal business objective is to identify, develop, and commercialize late-stage pharmaceutical therapeutic products for serious cardiovascular and pulmonary diseases with high unmet medical need. The key elements of our business strategy are outlined below.



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- *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 are 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 is 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 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 the development of our existing product candidates, 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. 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 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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**COVID-19**

The continued spread of COVID-19, including variant strains, globally, may affect our operations, including the potential interruption of our clinical trial activities and our supply chain. The continued spread of COVID-19 may result in a period of continued or recurring business disruption in these and other areas impacting our business, including the establishment of contractual relationships with investigators enrolling subjects in our clinical trials, the continuity of care provided by these institutions to the patients we seek to enroll and their ability to support industry-funded research as a means of caring for their patients, supply of these sites with study materials, and the enrollment of subjects and their adherence with study requirements. In addition, there could be a potential effect of COVID-19 to the business at FDA or other health authorities, which could result in delays of reviews and approvals, including with respect to our product candidates.

***Financial Overview***

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

***General and Administrative Expenses***

General and administrative expenses were $1.4 million for the three months ended June 30, 2022, compared to $1.3 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, and other professional and consulting services. General and administrative expenses and percentage changes for the three months ended June 30, 2022 and 2021, respectively, are as follows:

| | Three months ended June 30, | | Increase/ (Decrease) | % Increase/ (Decrease) |
|---|---|---|---|---|
| | 2022 | 2021 | | |
| Personnel costs | $ 545,208 | $ 711,174 | $ (165,966) | (23)% |
| Legal and professional fees | 528,684 | 343,122 | 185,562 | 54% |
| Other costs | 228,300 | 176,223 | 52,077 | 30% |
| Facilities | 35,235 | 40,759 | (5,524) | (14)% |

Personnel costs decreased approximately $166,000 for the three months ended June 30, 2022, compared to the same period in the prior year. The decrease was primarily due to headcount reductions in the current period, compared to the same period in the prior year.

Legal and professional fees increased approximately $186,000 for the three months ended June 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 $193,000 for the three months ended June 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 decreased approximately $7,000 for the three months ended June 30, 2022, compared to the same period in the prior year. The decrease was primarily attributable to a reduction in director fees and capital market fees, offset by an increase consulting expenses that were not incurred in the prior period.

Other costs increased approximately $52,000 for the three months ended June 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.



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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 June 30, 2022 and 2021. The decrease of approximately $6,000 was due to a maintenance credit applied in the current period.

***Research and Development Expenses***

Research and development expenses were $1.5 million for the three months ended June 30, 2022, compared to $693,000 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 June 30, 2022 and 2021, respectively, are as follows:

| | Three months ended June 30, | | Increase/ (Decrease) | % Increase/ (Decrease) |
|---|---|---|---|---|
| | 2022 | 2021 | | |
| Clinical and preclinical development | $ 1,377,402 | $ 548,909 | $ 828,493 | 151% |
| Personnel costs | 140,230 | 142,707 | (2,477) | (2)% |
| Other costs | 6,833 | 1,606 | 5,227 | 325% |

Clinical and preclinical development costs increased approximately $828,000 for the three months ended June 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 June 30, 2022 and 2021.

Other costs increased approximately $5,000 for the three months ended June 30, 2022, compared to the same period in the prior year, primarily due to travel and conference 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 income decreased approximately $245,000 for the three months ended June 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.



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***Results of Operations - Comparison of the Six Months Ended June 30, 2022 and 2021***

***General and Administrative Expenses***

General and administrative expenses were $2.9 million for the six months ended June 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, other professional services, and consulting fees. General and administrative expenses and percentage changes for the six months ended June 30, 2022 and 2021, respectively, are as follows:

| | Six months ended June 30, | | Increase/ (Decrease) | % Increase/ (Decrease) |
|---|---|---|---|---|
| | 2022 | 2021 | | |
| Personnel costs | $ 1,127,915 | $ 1,506,684 | $ (378,769) | (25)% |
| Legal and professional fees | 1,250,232 | 725,670 | 524,562 | 72% |
| Other costs | 426,147 | 330,868 | 95,279 | 29% |
| Facilities | 73,877 | 81,516 | (7,639) | (9)% |

Personnel costs decreased approximately $379,000 for the six months ended June 30, 2022, compared to the same period in the prior year. The decrease was primarily due to headcount reductions in the current period, compared to the same period in the prior year.

Legal and professional fees increased approximately $525,000 for the six months ended June 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 $430,000 for the six months ended June 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 $95,000 for the six months ended June 30, 2022, compared to the same period in the prior year. The increase was primarily attributable to increased consulting and capital market fees offset by a decrease in accounting costs and director fees.

Other costs increased approximately $95,000 for the six months ended June 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 remained relatively unchanged for the six months ended June 30, 2022 and 2021.



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***Research and Development Expenses***

Research and development expenses were $2.7 million for the six months ended June 30, 2022, compared to $23.0 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 six months ended June 30, 2022 and 2021, respectively, are as follows:

| | Six months ended June 30, | | Increase/ (Decrease) | % Increase/ (Decrease) |
|---|---|---|---|---|
| | 2022 | 2021 | | |
| Clinical and preclinical development | $ 2,374,901 | $ 1,049,087 | $ 1,325,814 | 126% |
| Personnel costs | 319,537 | 278,949 | 40,588 | 15% |
| Other costs | 7,922 | 21,741,388 | (21,733,466) | (100)% |

Clinical and preclinical development costs increased approximately $1.3 million for the six months ended June 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 $220,000 increase in costs associated with formulation development, approximately $267,000 increase in our Phase 1 trial and approximately $1.13 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 $300,000 of costs associated with our levosimendan ongoing trials.

Personnel costs increased approximately $41,000 for the six months ended June 30, 2022, compared to the same period in the prior year.

Other costs decreased approximately $21.7 million for the six months ended June 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 $248,000 for the six months ended June 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 June 30, 2022, we had an accumulated deficit of approximately $284.1 million. 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 expect to incur additional expenses related to our development and potential commercialization of levosimendan and imatinib for pulmonary hypertension and other potential indications, as well as identifying and developing other potential product candidates, and as a result, we will need to generate significant net product sales, royalty and other revenues to achieve profitability.

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, 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. We are currently focused on developing our two product candidates, levosimendan and imatinib; however, we will need substantial additional capital in the future in order to complete the development and potential commercialization of levosimendan and imatinib, and to continue with the development of other potential product candidates.



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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 $8.1 million and $5.7 million and working capital of $6.7 million and $4.1 million as of June 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:

| | Six months ended June 30, | |
|---|---|---|
| | **2022** | **2021** |
| Net cash used in operating activities | $ (6,368,886) | $ (5,066,239) |
| Net cash used in investing activities | (6,323) | (57,231) |
| Net cash provided by financing activities | 8,020,466 | 544,651 |

*Net cash used in operating activities.* Net cash used in operating activities was approximately $6.4 million for the six months ended June 30, 2022 compared to approximately $5.1 million for the six months ended June 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 investing activities*. Net cash used in investing activities was $6,323 for the six months ended June 30, 2022, compared to $57,231 in the six months ended June 30, 2021. The decrease in cash used in investing activities was primarily due to the purchase of marketable securities in the prior period where no such purchases were made in the current period.

*Net cash provided by financing activities*. Net cash provided by financing activities was approximately $8.1 million for the six months ended June 30, 2022, compared to $544,651 in the six months ended June 30, 2021. The increase in cash provided by financing activities was primarily due to the net proceeds of approximately $7.9 million from the May 2022 offering.

***Operating Capital and Capital Expenditure Requirements***

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 the global coronavirus pandemic;

- 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;



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- 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;
- the extent to which we acquire or invest in businesses, products or technologies; and
- the possible costs of litigation.

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

We will need substantial additional capital beyond the fourth quarter of calendar year 2022 and in the future in order to complete the regulatory approval and commercialization of imatinib and levosimendan as well as to fund the development and commercialization of other future product candidates. 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, if needed, may not be available on favorable terms, if at all. In the event we are unable to obtain additional capital, we may delay or reduce the scope of our current research and development programs and other expenses. 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.

If adequate funds are not available, we may also be required to eliminate one or more of our clinical trials, delaying approval of levosimendan or our commercialization efforts. To the extent that we 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 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. We may seek to access the public or private capital markets whenever conditions are favorable, even if we do not have an immediate need for additional capital at that time. We may also consider strategic alternatives, including a sale of our company, merger, other business combination or recapitalization.

***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 June 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**

The risks we face have not materially changed from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021.

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

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.



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**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 |
|---|---|
| 4.1 | Form of Pre-Funded Warrant (2022) (incorporated herein by reference to Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on May 20, 2022). |
| 4.2 | Form of Series E Common Stock Warrant (2022) (incorporated herein by reference to Exhibit 4.2 to our Current Report on Form 8-K filed with the SEC on May 20, 2022). |
| 4.3 | Warrant Amendment Agreement, dated as of May 17, 2022, by and between the Company and the Investor (incorporated herein by reference to Exhibit 4.3 to our Current Report on Form 8-K filed with the SEC on May 20, 2022). |
| 10.1 | Securities Purchase Agreement for Units, dated as of May 17, 2022, by and between the Company and the Investor (incorporated herein by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on May 20, 2022). |
| 10.2 | Registration Rights Agreement, dated as of May 17, 2022, by and between the Company and the Investor (incorporated herein by reference to Exhibit 10.2 to our Current Report on Form 8-K filed with the SEC on May 20, 2022). |
| 10.3+ | Tenax Therapeutics, Inc. 2022 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.1 to our Current Report on Form 8-K |

| | |
|---|---|
| | filed with the SEC on June 10, 2022). |
| 10.4+ | Form of Tenax Therapeutics, Inc. Notice of Stock Option Grant and Award Agreement (incorporated herein by reference to Exhibit 10.2 to our Current Report on Form 8-K filed with the SEC on June 10, 2022). |
| 10.5 | Waiver, dated June 16, 2022 (incorporated herein by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on June 16, 2022). |
| 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**
**+ Management contract or compensatory plan.**



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**SIGNATURES**

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

Date: August 11, 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)

**EXHIBIT 31.1**

**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: August 11, 2022

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

**EXHIBIT 31.2**

**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: August 11, 2022

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

**EXHIBIT 32.1**

**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 June 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: August 11, 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.

**EXHIBIT 32.2**

**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 June 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: August 11, 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.