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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2025

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: 001-41964

Channel Therapeutics Corporation

(Exact name of registrant as specified in its charter)

Delaware	**86-3335449**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4400 Route 9 South, Suite 1000
Freehold, NJ 07728
(Address of principal executive offices) (Zip Code)

(877) 265-8266
(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, par value $0.0001 per share	CHRO	The NYSE American 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer ☐
Non-accelerated filer ☒

Accelerated filer ☐
Smaller reporting company ☒
Emerging growth company ☒

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

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

The number of shares of the registrant's common stock outstanding as of May 13, 2025 is 6,595,850.

CHANNEL THERAPEUTICS CORPORATION
QUARTERLY REPORT ON FORM 10-Q
For the quarter ended March 31, 2025

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

CHANNEL THERAPEUTICS CORPORATION
CONSOLIDATED BALANCE SHEETS

	March 31, 2025 (Unaudited)	December 31, 2024
ASSETS		
CURRENT ASSETS		
Cash	$ 131,317	$ 513,443
Prepaid expenses	16,337	65,300
Due from Chromocell Corporation	40,400	40,400
Deferred offering costs	723,125	750,000
TOTAL CURRENT ASSETS	911,179	1,369,143
TOTAL ASSETS	$ 911,179	$ 1,369,143
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 2,603,605	$ 1,897,127
Loan payable, net of debt discount	2,371,540	2,054,202
Loan payable - related party, net of debt discount	131,868	131,868
TOTAL CURRENT LIABILITIES	5,107,013	4,083,197
TOTAL LIABILITIES	5,107,013	4,083,197
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' DEFICIT		
Preferred stock Series A, $0.0001 par value, 700,000 shares authorized, no shares issued and outstanding as of March 31, 2025 and December 31, 2024, respectively	—	—
Preferred stock Series C, $0.0001 par value, 5,000 shares authorized, 2,600 and 2,600 shares issued and outstanding as of March 31, 2025 and December 31, 2024, respectively	—	—
Common stock, $0.0001 par value, 200,000,000 shares authorized, 6,183,562 and 6,103,813 shares issued and outstanding as of March 31, 2025 and December 31, 2024, respectively	621	613
Additional paid in capital	19,246,143	18,760,320
Accumulated deficit	(23,442,598)	(21,474,987)
TOTAL STOCKHOLDERS' DEFICIT	(4,195,834)	(2,714,054)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 911,179	$ 1,369,143

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

CHANNEL THERAPEUTICS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(Unaudited)

	For the Three Months Ended March 31,	
	2025	**2024**
OPERATING EXPENSES		
General and administrative expenses	$ 1,090,049	$ 787,561
Research and development	194,298	466,606
Professional fees	549,630	679,815
Total operating expenses	1,833,977	1,933,982
NET LOSS FROM OPERATIONS	(1,833,977)	(1,933,982)
OTHER EXPENSE		
Interest expense	(133,634)	(628,348)
Total other expense	(133,634)	(628,348)
Net loss before provision for income taxes	(1,967,611)	(2,562,330)
Provision for income taxes	—	—
NET LOSS	$ (1,967,611)	$ (2,562,330)
Net loss per common share - basic and diluted	$ (0.32)	$ (0.55)
Weighted average number of common shares outstanding during the period - basic and diluted	6,127,924	4,690,989

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

CHANNEL THERAPEUTICS CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(Unaudited)

	Preferred A Shares	Preferred A Shares Par	Preferred C Shares	Preferred C Shares Par	Common Shares	Par	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
Balance, December 31, 2023	600,000	$ 60	—	$ —	3,906,300	$ 391	$ 7,074,646	$ (13,519,649)	$ (6,444,552)
Stock-based compensation	—	—	—	—	—	—	292,552	—	292,552
Issuance cost from common stock issued for extension of bridge loan	—	—	—	—	81,112	9	447,770	—	447,779
Conversion of preferred stock into Common Stock	(600,000)	(60)	—	—	499,429	50	10	—	—
Common stock issued for cash	—	—	—	—	1,100,000	110	5,971,890	—	5,972,000
Standby agreement	—	—	—	—	37,500	4	(4)	—	—
Recission of common stock	—	—	—	—	(111,129)	(11)	(91,501)	—	(91,512)
Transfer of liabilities to Channel Corp. for Preferred C share	—	—	2,600	—	—	—	2,153,362	—	2,153,362
Common Stock issued for conversion notes	—	—	—	—	253,492	25	1,362,796	—	1,362,821
Net loss	—	—	—	—	—	—	—	(2,562,330)	(2,562,330)
Balance March 31, 2024	—	$ —	2,600	$ —	5,766,704	$ 578	$ 17,211,521	$ (16,081,979)	$ 1,130,120

CHANNEL THERAPEUTICS CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(Unaudited)

	Preferred A Shares	Preferred A Shares Par	Preferred C Shares	Preferred C Shares Par	Common Shares	Par	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
Balance, December 31, 2024	—	$ —	2,600	$ —	6,103,813	$ 613	$ 18,760,320	$ (21,474,987)	$ (2,714,054)
Stock-based compensation	—	—	—	—	—	—	403,921	—	403,921
Restricted Stock Units expense	—	—	—	—	46,345	4	51,906	—	51,910
Shares issued for services	—	—	—	—	16,904	2	29,998	—	30,000
Shares issued for cash	—	—	—	—	16,500	2	(2)	—	—
Net loss	—	—	—	—	—	—	—	(1,967,611)	(1,967,611)
Balance March 31, 2025	—	$ —	2,600	$ —	6,183,562	$ 621	$ 19,246,143	$ (23,442,598)	$ (4,195,834)

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

CHANNEL THERAPEUTICS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(Unaudited)

	For the Three Months Ended March 31,	
	2025	**2024**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (1,967,611)	$ (2,562,330)
Adjustments to reconcile net loss to net cash used in operating activities		
Amortization of debt discount	94,213	605,630
Stock-based compensation	485,831	292,552
Changes in operating assets and liabilities:		
Accounts payable and accrued expenses	706,478	90,994
Accrued compensation	—	(152,023)
Due from Chromocell Corporation	—	(45,786)
Prepaid expenses	48,963	(220,930)
Net Cash Used In Operating Activities	(632,126)	(1,991,893)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loan payable, net of debt discount	250,000	—
Payment of bridge loan, net of debt discount	—	(214,757)
Common stock issued for cash	—	5,972,000
Recission of common stock	—	(91,512)
Net Cash Provided By Financing Activities	250,000	5,665,731
NET CHANGE IN CASH	(382,126)	3,673,838
CASH AT BEGINNING OF YEAR	513,443	96,391
CASH AT END OF YEAR	$ 131,317	$ 3,770,229
Supplemental cash flow information:		
Cash paid for income taxes	$ —	$ —
Cash paid for interest expense	$ 11,250	$ —
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Debt discount from common stock issued for extension of bridge loan	$ —	$ 447,779
Conversion of notes to common stock	$ —	$ 1,362,821
Transfer of liabilities to Chromocell Corporation for Series C Preferred Stock	$ —	$ 2,153,362
Offering costs recorded to debt discount	$ 26,875	$ —

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

NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS

Company Background

Channel Therapeutics Corporation ("Channel" or the "Company") was incorporated in Delaware on March 19, 2021. On November 18, 2024 ("Reincorporation Merger Effective Date"), Chromocell Therapeutics Corporation, a Delaware corporation (the "Predecessor"), merged with and into its wholly-owned subsidiary, Channel Therapeutics Corporation, a Nevada corporation (the "Reincorporation Merger"), pursuant to an agreement and plan of merger, dated as of November 18, 2024 (the "Reincorporation Merger Agreement"). All information disclosed in this Form 10-Q for periods prior to the Reincorporation Merger Effective Date relates to the Predecessor, and all information disclosed in this Form 10-Q for periods after the Reincorporation Merger Effective Date relates to Channel Therapeutics Corporation, a Nevada corporation.

On August 10, 2022, the Company entered into that certain Contribution Agreement (the "Contribution Agreement") with Chromocell Corporation, a Delaware corporation ("Chromocell Holdings"), pursuant to which, effective July 12, 2022 (the "Contribution Date"), Chromocell Holdings contributed all assets and liabilities related to Chromocell Holdings' historical therapeutic business, including all patents, pre-clinical and Phase I study results and data, and trade secrets related to the CC8464 compound to the Company (See Note 4). On October 22, 2024, the Company's shareholders approved a reincorporation merger of the Company in the State of Nevada with and into Channel Therapeutics Corporation, wholly-owned subsidiary of the Company, with Channel Therapeutics Corporation remaining as the surviving corporation immediately following the reincorporation merger (the "Reincorporation Merger"). The Reincorporation Merger occurred on November 18, 2024.

The Company is a clinical-stage biotech company focused on developing and commercializing new therapeutics to alleviate pain. The Company's clinical focus is to selectively target the sodium ion-channel known as "NaV1.7", which has been genetically validated as a pain receptor in human physiology. A NaV1.7 blocker is a chemical entity that modulates the structure of the sodium-channel in a way to prevent the transmission of pain perception to the central nervous system ("CNS"). The Company's goal is to develop a novel and proprietary class of NaV blockers that target the body's peripheral nervous system.

Overview

The Company has a limited operating history and has not generated revenue from its intended operations. The Company's business and operations are sensitive to general business and economic conditions in the U.S. and worldwide along with local, state, and federal governmental policy decisions. A host of factors beyond the Company's control could cause fluctuations in these conditions. Adverse conditions may include changes in the biotechnology regulatory environment, technological advances that render the Company's technologies obsolete, availability of resources for clinical trials, acceptance of technologies into the medical community, and competition from larger, more well-funded companies.

Initial Public Offering

On February 21, 2024, the Company completed the initial public offering of its Common Stock (the "IPO") and issued 1,100,000 shares of its Common Stock at a price of $6.00 per share. The aggregate net proceeds from the IPO were approximately $5.7 million after deducting $0.9 million in underwriting discounts and commissions and offering expenses.

Reincorporation Merger and Name Change

On October 22, 2024, the affirmative vote of a majority of the outstanding shares of Common Stock present in person, by remote communication, if applicable, or represented by proxy at the Annual Meeting approved the Reincorporation Merger. The Reincorporation Merger occurred on November 18, 2024.

NOTE 2 – LIQUIDITY AND GOING CONCERN

A fundamental principle of the preparation of financial statements in accordance with GAAP is the assumption that an entity will continue in existence as a going concern, which contemplates continuity of operations and the realization of assets and settlement of liabilities occurring in the ordinary course of business. In accordance with this requirement, the Company has prepared its accompanying consolidated financial statements assuming the Company will continue as a going concern.

During the three months ended March 31, 2025, the Company had a net loss of approximately $2.0 million. As of March 31, 2025, the Company has cash of approximately $0.1 million and a working capital deficit $4.2 million.

Based on the Company's current projections, management believes there is substantial doubt about its ability to continue to operate as a going concern and fund its operations through at least the next twelve months following the issuance of these consolidated financial statements. While the Company will continue to invest in its business and the development of CC8464, CT2000, and CT3000, and potentially other molecules, it is unlikely that the Company will generate product or licensing revenue during the next twelve months. During the three months ended March 31, 2024, the Company completed its initial public offering, raising $5.7 million, after deducting the underwriting discounts and commissions and offering expenses, and it is likely the Company will need to raise additional funds through either strategic partnerships or the capital markets. However, there is no assurance that the Company will be able to raise such additional funds on acceptable terms, if at all. If the Company raises additional funds by issuing securities, existing stockholders may be diluted.

The consolidated financial statements included in this report do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the matters discussed herein. While the Company believes in the viability of the Company's strategy to generate sufficient revenue, control costs, and raise additional funds, when necessary, there can be no assurances to that effect. The Company's ability to continue as a going concern is dependent upon the ability to implement the business plan, generate sufficient revenues, raise capital, and to control operating expenses.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and the rules and regulations of the Securities and Exchange Commission ("SEC"). In the opinion of the Company's management, the accompanying condensed consolidated financial statements reflect all adjustments, consisting of normal, recurring adjustments, considered necessary for a fair presentation of the results for the interim periods ended March 31, 2025 and 2024. Although management believes that the disclosures in these unaudited condensed consolidated financial statements are adequate to make the information presented not misleading, certain information and footnote disclosures normally included in condensed consolidated financial statements that have been prepared in accordance U.S. GAAP have been omitted pursuant to the rules and regulations of the SEC.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the Company's financial statements and notes related thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2024, filed with the SEC on March 27, 2025. The interim results for the three months ended March 31, 2025 are not necessarily indicative of the results to be expected for the year ending December 31, 2025 or for any future interim periods.

Emerging Growth Company

The Company is an "emerging growth company," as defined in Section 2(a) of the Securities Act of 1933, as amended (the "Securities Act"), as modified by the Jumpstart Our Business Startups Act of 2012, as amended (the "JOBS Act"), and it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the independent registered public accounting firm attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of the Company's consolidated financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

Principles of consolidation

The consolidated financial statements include the accounts of Channel Therapeutics Corporation and its wholly owned subsidiary, Chromocell Therapeutics Australia Pty. Ltd. All significant intercompany balances and transactions have been eliminated.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates. Significant estimates made by management include, but are not limited to, estimating the valuation of deferred income taxes.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. As of March 31, 2025 and December 31, 2024, the Company did not have any cash equivalents.

As of March 31, 2025, the Company did not have deposits in excess of federally insured limits.

Research and Development

The Company incurs research and development ("R&D") costs during the process of researching and developing technologies and future offerings. The Company expenses these costs as incurred unless such costs qualify for capitalization under applicable guidance. The Company reviews acquired R&D and licenses to determine if they should be capitalized or expensed under U.S. GAAP standards.

Below is a disaggregation of R&D expenses:

	For the Three Months Ended March 31, 2025	For the Three Months Ended March 31, 2024
Consultant	$ 88,255	$ 30,033
Lab Materials	605	—
Lab Cell Storage	15,428	24,127
Chemistry Manufacturing and Controls (“CMC”)	82,170	303,397
IP Services	7,840	109,049
Total	$ 194,298	$ 466,606

Fair Value Measurements and Fair Value of Financial Instruments

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

- Level 1 Inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.
- Level 2 Inputs are unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.
- Level 3 Inputs are unobservable inputs which reflect the reporting entity’s own assumptions on what assumptions the market participants would use in pricing the asset or liability based on the best available information.

The Company did not identify any assets or liabilities that are required to be presented on the balance sheets at fair value in accordance with ASC Topic 820.

Due to the short-term nature of all financial assets and liabilities, their carrying value approximates their fair value as of the balance sheet dates.

Stock-Based Compensation

The Company accounts for stock-based compensation costs under the provisions of ASC 718, Compensation—Stock Compensation (“ASC 718”), which requires the measurement and recognition of compensation expense related to the fair value of stock-based compensation awards that are ultimately expected to vest. Stock-based compensation expense recognized includes the compensation cost for all stock-based payments granted to employees, officers, and directors based on the grant date fair value estimated in accordance with the provisions of ASC 718. ASC 718 is also applied to awards modified, repurchased, or cancelled during the periods reported. Stock-based compensation is recognized as expense over the employee’s requisite vesting period and over the nonemployee’s period of providing goods or services. Pursuant to ASC 718, the Company can elect to either recognize the expenses on a straight-line or graded basis and has elected to do so under the straight-line basis.

Basic and Diluted Net Loss per Common Share

Basic loss per common share is computed by dividing the net loss by the weighted average number of shares of Common Stock outstanding for each period. Diluted loss per share is computed by dividing the net loss by the weighted average number of shares of Common Stock outstanding plus the dilutive effect of shares issuable through the common stock equivalents. The weighted-average number of common shares outstanding excludes common stock equivalents because their inclusion would be anti-dilutive. As of March 31, 2025, 870,449 stock options, 55,000 warrants, and 245,821 unvested restricted stock units (“RSUs”) were excluded from dilutive earnings per share as their effects were anti-dilutive. As of March 31, 2024, 197,560 stock options and 55,000 warrants were excluded from dilutive earnings per share as their effects were anti-dilutive.

Income Taxes

The Company accounts for income taxes pursuant to the provision of ASC 740 "Accounting for Income Taxes," ("ASC 740") which requires, among other things, an asset and liability approach to calculating deferred income taxes. The asset and liability approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. A valuation allowance is provided to offset any net deferred tax assets for which management believes it is more likely than not that the net deferred asset will not be realized.

The Company follows the provision of the ASC 740 related to Accounting for Uncertain Income Tax Position. When tax returns are filed, it is more likely than not that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. In accordance with the guidance of ASC 740-10, the benefit of a tax position is recognized in the consolidated financial statements in the period during which, based on all available evidence, management believes it is most likely that not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions.

Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above should be reflected as a liability for uncertain tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination. The Company believes its tax positions will more likely than not be upheld upon examination. As such, the Company has not recorded a liability for uncertain tax benefits.

The federal and state income tax returns of the Company are subject to examination by the Internal Revenue Service and state taxing authorities, generally for three years after they were filed. The Company has filed its tax returns for the year ended December 31, 2023 and after review of the prior year consolidated financial statements and the results of operations through December 31, 2024, the Company has recorded a full valuation allowance on its deferred tax asset.

Recently Issued Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which requires disaggregated information about a reporting entity's effective tax rate reconciliation, as well as information related to income taxes paid to enhance the transparency and decision usefulness of income tax disclosures. This ASU will be effective for the annual periods beginning after December 15, 2024. The Company is currently evaluating the impact ASU No. 2023-09 will have on its condensed consolidated financial statements.

In November 2024, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2024-03, "Disaggregation of Income Statement Expenses," which requires disclosures of certain disaggregated income statement expense captions into specified categories within the footnotes to the financial statements. The requirements of the ASU are effective for annual periods beginning after December 15, 2026 and interim reporting periods beginning after December 15, 2027, with early adoption permitted. The requirements will be applied prospectively with the option for retrospective application. The Company is currently evaluating the impact ASU No. 2024-03 will have on its condensed consolidated financial statements.

NOTE 4 – RELATED PARTY TRANSACTIONS

Due from/to Chromocell Holdings

As of March 31, 2025 and December 31, 2024, the Company had a $40,400 asset due from Chromocell Holdings. This amount is comprised of expenses paid by the Company to be reimbursed by Chromocell Holdings. No interest is incurred on these amounts.

Related Party Note

On May 10, 2024, the Company and Camden Capital LLC, a company controlled by Mr. Knuettel, the Company's Chief Executive Officer and Chief Financial Officer, converted certain payables into a promissory note for $131,868. The note matures on December 15, 2024, or, if earlier to occur, upon the closing of a public or private offering or other financing or capital-raising transaction of any kind. As of March 31, 2025, the note was in default, though the Company has not received any notice from Mr. Knuettel. The note accrued interest at the rate of 4.86% per annum through December 15, 2024 and 6.86% thereafter. As of March 31, 2025, the note had an outstanding principal of $131,868 and accrued interest of $6,472.

Outstanding Principal on Related Party Notes

Note Payable – Related Party	Outstanding Principal	Unamortized Debt Discount	Outstanding Principal, net of Debt Discount
Related Party Note	$ 131,868	$ —	$ 131,868
Total As of March 31, 2025	$ 131,868	$ —	$ 131,868

Note Payable – Related Party	Outstanding Principal	Unamortized Debt Discount	Outstanding Principal, net of Debt Discount
Related Party Note	$ 131,868	$ —	$ 131,868
Total As of December 31, 2024	$ 131,868	$ —	$ 131,868

NOTE 5 – NOTES PAYABLE

May Promissory Note

On May 10, 2024, the Company converted accounts payable with a professional advisor into a promissory note in the amount of $1,455,416. The note matures on December 15, 2024 or, if earlier to occur, upon the closing of a public or private offering or other financing or capital-raising transaction of any kind. As of March 31, 2025, the note was in default, though the Company has not received any notice from the professional advisor. The note accrued interest at the rate of 4.86% per annum through December 15, 2024 and 6.86% thereafter. As of March 31, 2025, the note had an outstanding principal of $1,455,416 and accrued interest of $71,435.

Convertible Note

On July 24, 2024, the Company entered into a securities purchase agreement with an accredited investor (the "July Note Holder"), pursuant to which the Company issued to the July Note Holder a senior unsecured convertible note (the "July Note") in the aggregate principal amount of $750,000, which is convertible into shares of Common Stock. The July Note accrues interest at a rate of 6% per annum (which increases to 12% in the event of a default) and matures on August 24, 2025 (the "July Note Maturity Date"). Interest is guaranteed through the July Note Maturity Date regardless of whether the July Note is earlier converted or redeemed. The July Note is convertible by the holder thereof in whole or in part at any time after issuance and prior to the July Note Maturity Date into shares of Common Stock based on a conversion price (the "July Note Conversion Price") of $1.506 per share (the "July Note Conversion Shares"), which cannot be reduced below $0.231 per share, and is subject to customary adjustments for stock splits, stock dividends, recapitalization and other similar transactions. Notwithstanding the foregoing, such conversions are subject to (i) a 4.99% beneficial ownership limitation contained in the Note, which may be increased to 9.99% upon 61 days' prior written notice to the Company by the July Note Holder, and (ii) the Exchange Cap (as defined below). The Company has agreed to hold a meeting of its stockholders to seek approval of a waiver of the Exchange Cap - no later than ninety (90) days from July 24, 2024. Under the applicable rules of the NYSE American LLC, in no event may the Company issue to July Note Holder and any of its affiliates under the CEF Purchase Agreement (as defined below), or otherwise, more than 1,152,764 shares of Common Stock, which number of shares represents 19.99% of the shares of the Common Stock outstanding immediately prior to the execution of the CEF Purchase Agreement (the "Exchange Cap").

The July Note is redeemable by the Company in whole or in part at any time after issuance and prior to the July Note Maturity Date in cash at a price equal to 110% of the greater of (i) the July Note's outstanding principal amount, plus all accrued but unpaid interest and late charges due under the July Note (the "July Note Conversion Amount") being redeemed as of the date on which such redemption will occur (the "Company Optional Redemption Date") and (ii) the product of (1) the number of July Note Conversion Shares then issuable under the July Note multiplied by (2) the highest closing sale price of the Common Stock on any trading day during the period commencing on the date immediately preceding the date of the Company Optional Redemption Notice (as defined below) and ending on the trading day immediately prior to the date the Company makes the entire payment. The Company may deliver only one notice to exercise its right to require redemption (the "Company Optional Redemption Notice") in any given 20 trading day period and each Company Optional Redemption Notice is irrevocable. At any time prior to the date on which such optional redemption payment is paid in full, the July Note may be converted by the July Note Holder into shares of Common Stock in accordance with the conversion terms thereof.

As of March 31, 2025, there was ($307) in accrued interest and $88,740 unamortized debt discount on the July Note. Interest expense totalled $10,744 for the three months ended March 31, 2025, compared to $0 for three months ended March 31, 2024. The Company recognized $65,561 and $0, respectively, of amortization of debt discount included in interest expense on the statements of operations for the three months ended March 31, 2025 and 2024. As of March 31, 2025 there was $726,212 in outstanding principal on the July Note.

Waiver of Exchange Cap

On October 22, 2024, the affirmative vote of a majority of the outstanding shares of Common Stock present in person, by remote communication, if applicable, or represented by proxy at the Annual Meeting approved the waiver of the Exchange Cap in connection with the July Note and the CEF Purchase Agreement.

February Bridge Note

On February 25, 2025, the Company issued an unsecured promissory note in the aggregate principal amount of $325,000 (the "February Bridge Note") to 3i, L.P., a Delaware limited partnership (the "Holder"), for a purchase price of $250,000, pursuant to which the Company promises to pay the Holder or its registered assigns the principal sum of $325,000 or such amount equal to the outstanding principal amount of the February Bridge Note together with interest. The February Bridge Note bears interest on the outstanding principal amount at an annual rate equal to 6.0%. The February Bridge Note may be prepaid by the Company without penalty, in whole or in part, upon two days' prior written notice to the Holder. All unpaid principal, together with any then unpaid and accrued interest and other amounts payable under the February Bridge Note, will otherwise be due and payable on the earliest of: (i) May 25, 2025, (ii) the consummation of a Corporate Event (as defined in the February Bridge Note), or (iii) when, upon or after the occurrence of an Event of Default (as defined in the February Bridge Note), such amounts are declared due and payable by the Holder or made automatically due and payable in accordance with the terms of the February Bridge Note.

As of March 31, 2025, there was $1,816 in accrued interest and $46,348 unamortized debt discount on the February Bridge Note. Interest expense totalled $1,816 for the three months ended March 31, 2025, compared to $0 for three months ended March 31, 2024. The Company recognized $28,652 and $0, respectively, of amortization of debt discount included in interest expense on the statements of operations for the three months ended March 31, 2025 and 2024. As of March 31, 2025, there as $325,000 in outstanding principal on the February Bridge Note.

Outstanding Principal on Notes

Loan Payable	**Outstanding Principal**	**Unamortized Debt Discount**	**Outstanding Principal, net of Debt Discount**
May Promissory Note	$ 1,455,416	$ —	$ 1,455,416
Convertible Note	726,212	(88,740)	637,472
February Bridge Note	325,000	(46,348)	278,652
Total As of March 31, 2025	$ 2,506,628	$ (135,088)	$ 2,371,540

Loan Payable	Outstanding Principal	Unamortized Debt Discount	Outstanding Principal, net of Debt Discount
May Promissory Note	$ 1,455,416	$ —	$ 1,455,416
Convertible Note	726,212	(127,426)	598,786
Total As of December 31, 2024	$ 2,181,628	$ (127,426)	$ 2,054,202

NOTE 6 – STOCKHOLDERS' EQUITY

Initial Public Offering

On February 21, 2024, the Company completed its IPO and issued 1,100,000 shares of Common Stock at a price of $6.00 per share. The aggregate net proceeds from the IPO were approximately $5.9 million after deducting approximately $0.9 million of underwriting discounts and commissions and offering expenses.

Stock Split

On February 15, 2024, the Company effected a 9-for-1 reverse stock split. All share and per share amounts have been retrospectively adjusted for the reverse stock split.

2023 Plan Amendment

On June 12, 2024, the Board authorized an amendment to the Channel Therapeutics Corporation 2023 Equity Incentive Plan (the "2023 Plan") to increase the number of shares of Common Stock authorized for issuance thereunder by 1,500,000 from 444,444 shares to 1,944,444 shares. On October 22, 2024, the 2023 Plan Amendment was approved by the affirmative vote of a majority of the outstanding shares of Common Stock present in person, by remote communication, if applicable, or represented by proxy at the Annual Meeting.

Share Forfeiture

Pursuant to the terms of the April Bridge Financing, Chromocell Holdings forfeited 133,745 of the shares of Common Stock of the Company on April 17, 2023. All shareholders with ownership stakes greater than 5% of the Company agreed that the failure to invest its pro rata allocation in the April Bridge Financing would result in the forfeiture of a pro rata percentage of their shares. Chromocell Holdings did not invest its full pro rata allocation, leading to the forfeiture of a portion of their shares of Common Stock of the Company.

Standby Investor Side letter

On October 11, 2023, the Company entered into a securities purchase agreement with an institutional investor (the "Standby Investor"), pursuant to which (i) the Standby Investor agreed to purchase, upon close of the IPO and at the Company's election, an aggregate of up to 750 shares of Series B Convertible Preferred Stock, par value of $0.0001 per share (the "Series B Preferred Stock") for a purchase price of $1,000 per share, and (ii) in consideration therefor, the Company would issue upon close of the IPO, and regardless of whether the Company would have issued any shares of Series B Preferred Stock, an aggregate of 4,167 shares (such shares, the "Standby Shares") of Common Stock to the Standby Investor (such agreement, the "Series B Securities Purchase Agreement"). In addition, pursuant to the Series B Securities Purchase Agreement, the Company was required to file a registration statement within 180 calendar days after consummation of the IPO, providing for the resale of the Standby Shares and shares of Common Stock issuable upon conversion of the Series B Preferred Stock, if issued.

Effective November 13, 2023, the Company entered into a side letter with the Standby Investor (the "Standby Investor Side Letter"), pursuant to which it (i) waived in full the Standby Investor's obligation to fund the aggregate amount to be paid for the Series B Preferred Stock to be purchased under the Series B Securities Purchase Agreement and (ii) agreed to continue to have the obligation to issue the full amount of the Standby Shares upon the closing of the IPO. The Company and the Standby Investor also agreed to terminate each of their obligations solely with respect to the Series B Preferred Stock under the Series B Securities Purchase Agreement and a certain Registration Rights Agreement between the Company and the Standby Investor, which was required to be delivered pursuant to the Series B Securities Purchase Agreement.

Rights Offering

On November 22, 2023, the Company commenced a rights offering (the "Rights Offering") pursuant to which the Company distributed non-transferable subscription rights ("Subscription Rights") to each holder of its Common Stock held as of 5:00 p.m. Eastern Standard Time on November 22, 2023, the record date for the Rights Offering (the "Rights Offering Record Date"). The Subscription Rights could be exercised at any time during the subscription period, which commenced on November 22, 2023 and expired at 5:00 p.m., Eastern Standard Time, on December 1, 2023. Each Subscription Right entitled the eligible holder to purchase up to three shares of the Company's Common Stock at a price per whole share of Common Stock of $0.1008 (the "Subscription Price"). Holders who fully exercised their rights could also subscribe for additional shares of Common Stock not subscribed for by other holders on a pro rata basis. In addition, the Company could distribute to one or more additional persons, at no charge to such person, additional non-transferable subscription rights to purchase shares of its Common Stock in the Rights Offering at the same Subscription Price, without notice to the holders of its Common Stock. Upon the closing of the Rights Offering, the Company issued an aggregate of 2,533,853 shares of Common Stock and received aggregate net proceeds of $255,412, after giving effect to (i) the amendments to the senior secured convertible notes issued to such affiliates of the A.G.P. (the "Representative") in April 2023 for an aggregate principal amount of $393,808 (the "April Bridge Financing") and amendment to the senior secured convertible notes issued to such affiliates of the Representative in September 2023 for an aggregate principal amount of $198,128 (the "September Bridge Financing") to remove the automatic conversion features from such notes and (i) the Stock Rescission Agreement (as defined below) with certain affiliates of the Representative (collectively, the "Representative Affiliate Transactions"), which it intended to use primarily for general corporate purposes and expenses associated with the IPO.

Stock Recission Agreement

On February 10, 2024, the Company entered into a Stock Rescission Agreement with certain affiliates of A.G.P. (the "Stock Recission Agreement") pursuant to which the Company rescinded 111,129 shares of Common Stock held by such affiliates of A.G.P. and agreed to refund an aggregate of $91,512 paid by such affiliates of A.G.P. in consideration therefor within 30 days of the effective date of the Stock Rescission Agreement. At March 31, 2025 and December 31, 2024, all such amounts have been paid pursuant to the Representative Affiliate Transactions and there are no remaining obligations thereto.

Equity Issuances

On June 12, 2024, the Company entered into a twelve-month agreement with a vendor to issue up to 7,500 share of Common Stock per month for services performed by such vendor. As of March 31, 2025, the Company has issued 68,091 shares of Common Stock pursuant to this agreement, of which 16,904 shares were issued during the three months ended March 31, 2025.

Committed Equity Financing

On July 26, 2024, the Company entered into a Common Stock Purchase Agreement, dated as of July 26, 2024 (the "CEF Purchase Agreement"), with Tikkun Capital LLC ("Tikkun"), providing for a committed equity financing facility, pursuant to which, upon the terms and subject to the satisfaction of the conditions contained in the CEF Purchase Agreement, Tikkun has committed to purchase, at the Company's direction in its sole discretion, up to an aggregate of $30,000,000 (the "Total Commitment") of the shares of Common Stock (the "Purchase Shares"), subject to certain limitations set forth in the CEF Purchase Agreement, from time to time during the term of the CEF Purchase Agreement. Concurrently with the execution of the CEF Purchase Agreement, the Company and Tikkun also entered into a Registration Rights Agreement, dated as of July 26, 2024, pursuant to which the Company agreed to file with the SEC one or more registration statements, to register under the Securities Act, the offer and resale by Tikkun of all of the Purchase Shares that may be issued and sold by the Company to Tikkun from time to time under the CEF Purchase Agreement.

Stock Repurchase Plan

On August 5, 2024, the Board authorized a stock repurchase plan (the "Repurchase Plan") pursuant to which up to $250,000 of the Company's Common Stock may be repurchased prior to December 31, 2024, unless completed sooner or otherwise extended. During the three months ended March 31, 2025, the Company repurchased 0 shares of Common Stock. Open market purchases are intended to be conducted in accordance with applicable Securities and Exchange Commission regulations, including the guidelines and conditions of Rule 10b-18 and Rule 10b5-1 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The timing and actual number of shares repurchased will depend on a variety of factors including trading price, the Company's financial performance, corporate and regulatory requirements and other market conditions.

Repurchase Plan Amendment

On October 22, 2024, the Board authorized an amendment (the "Amendment") to the Repurchase Plan to increase the total value of shares of Common Stock available for repurchase by the Company under the Repurchase Plan by an additional $500,000, to $750,000. In addition, the Amendment extended the termination date of the Repurchase Plan from December 31, 2024 to June 30, 2025, prior to which Common Stock may be repurchased, unless completed sooner or otherwise extended.

Chromocell Holdings Share Transfers

On December 18, 2024, 747,187 shares of Common Stock and 2,600 shares of Series C Preferred Stock held by Chromocell Holdings were transferred by the Company to Alexandra Wood (Canada) Inc. ("AWI") in satisfaction of a default judgement against Chromocell Holdings regarding the default by Chromocell Holdings of a secured promissory note by order of the Supreme Court of the State of New York, County of New York on November 25, 2024 in the matter *Alexandra Wood (Canada) Inc v. Chromocell Corp., Index No. 651735/2024*. AWI subsequently transferred 173,000 shares of Chromocell Holding's Common Stock that it received such that AWI now owns 574,187 shares of the Common Stock originally issued to Chromocell Holdings in connection with the Contribution Agreement.

Options

During the three months ended March 31, 2025 and 2024, the Company granted no stock options related to the Company's common stock.

With certain adjustments outlined below, the Company based its determination of the underlying fair value of the Company's Common Stock on the findings of an independent third party engaged by the Company to determine the fair value of the Company's intellectual property. The Company had the analysis conducted in conjunction with the Contribution Agreement, which was executed on August 10, 2022. The analysis determined that the fair value of the Company's intellectual property was $44.8 million. At the time of the Contribution Agreement and the option grants, there was 1,187,302 shares (on an as converted basis reflecting the conversion of the 600,000 Series A Convertible Preferred Stock held by Chromocell Holdings). As of March 31, 2025, all of the Series A Convertible Preferred Stock shares have been converted. The resulting value per share of common stock was $37.71. The Company then adjusted this value in accordance with the following:

Value of intellectual property	$	44.8 million
Common shares outstanding (as converted)		1,187,302
Value per common share	$	37.71
Illiquidity discount		20%
Minority discount		20%
Fair value of the common stock	$	22.68

After the completion of the Company's IPO, the trading price of the Company's Common Stock is used as the fair value of the Company's Common Stock.

The Company determined the expected volatility assumption for options granted using the historical volatility of comparable public companies' common stock. The Company will continue to monitor peer companies and other relevant factors used to measure expected volatility for future option grants, until such time that the Company's Common Stock has enough market history to use historical volatility.

The dividend yield assumption for options granted is based on the Company's history and expectation of dividend payouts. The Company has never declared nor paid any cash dividends on its Common Stock, and the Company does not anticipate paying any cash dividends in the foreseeable future.

The Company recognizes option forfeitures as they occur as there is insufficient historical data to accurately determine future forfeiture rates.

The following is an analysis of the stock option grant activity:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Life
Stock Options			
Outstanding December 31, 2024	870,449	$ 5.85	9.19
Granted	—	—	—
Expired	—	—	—
Exercised	—	—	—
Outstanding March 31, 2025	870,449	$ 5.85	8.94
Exercisable March 31, 2025	409,679	$ 9.60	8.69

	Number	Weighted Average Exercise Price	Weighted Average Remaining Life
Stock Options			
Outstanding December 31, 2023	197,560	$ 22.68	9.08
Granted	—	$ —	—
Expired	—	$ —	—
Exercised	—	$ —	—
Outstanding March 31, 2024	197,560	$ 22.68	8.83
Exercisable March 31, 2024	127,723	$ 22.68	8.83

A summary of the status of the Company's nonvested options as of March 31, 2025 and 2024, and changes during three months ended March 31, 2025 and 2024, is presented below:

Non-vested Options	Options	Weighted-Average Exercise Price
Non-vested at December 31, 2024	560,928	$ 2.93
Granted	—	—
Vested	(100,158)	4.85
Forfeited	—	—
Non-vested at March 31, 2025	460,770	$ 2.51

Non-vested Options	Options	Weighted-Average Exercise Price
Non-vested at December 31, 2023	113,429	$ 22.68
Granted	—	—
Vested	(43,592)	22.68
Forfeited	—	—
Non-vested at March 31, 2024	69,837	$ 22.68

The total number of options granted during the three months ended March 31, 2025 and 2024 was 0 and 0, respectively.

The Company recognized stock-based compensation expense related to option vesting amortization of $403,921 and $292,552 for the three months ended March 31, 2025 and 2024, respectively, which is included in general and administrative expenses in the consolidated statements of operations.

As of March 31, 2025, the unamortized stock option expense was $891,399. As of March 31, 2025, the weighted average period for the unamortized stock compensation to be recognized is 1.07 years.

Warrants

The following is an analysis of the stock warrant grant activity:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Life
Stock Warrants			
Outstanding December 31, 2024	55,000	$ 7.50	4.13
Granted	—	—	—
Expired	—	—	—
Exercised	—	—	—
Outstanding March 31, 2025	55,000	$ 7.50	3.88
Exercisable March 31, 2025	55,000	$ 7.50	3.88

	Number	Weighted Average Exercise Price	Weighted Average Remaining Life
Stock Warrants			
Outstanding December 31, 2023	—	$ —	—
Granted	55,000	7.50	4.88
Expired	—	—	—
Exercised	—	—	—
Outstanding March 31, 2024	55,000	$ 7.50	4.88
Exercisable March 31, 2024	55,000	$ 7.50	4.88

A summary of the status of the Company's nonvested warrants as of March 31, 2025 and 2024, and changes during the three months ended March 31, 2025 and 2024, is presented below:

Non-vested Warrants	**Warrants**	**Weighted-Average Exercise Price**
Non-vested at December 31, 2024	—	$ —
Granted	—	—
Vested	—	—
Forfeited	—	—
Non-vested at March 31, 2025	—	$ —

Non-vested Warrants	**Warrants**	**Weighted-Average Exercise Price**
Non-vested at December 31, 2023	—	$ —
Granted	55,000	7.50
Vested	(55,000)	7.50
Forfeited	—	—
Non-vested at March 31, 2024	—	$ —

The total number of warrants granted during the three months ended March 31, 2025 and 2024 was 0 and 55,000, respectively. The exercise price for these warrants was $7.50 per share and there was an intrinsic value of $0.

The Company recognized stock-based compensation expense related to warrant vesting amortization of $0 and $0 for the three months ended March 31, 2025 and 2024, respectively.

RSUs

A summary of the status of the Company's nonvested RSUs as of March 31, 2025, and changes during the three months ended March 31, 2025, is presented below:

Non-vested RSUs	RSUs	Weighted-Average Exercise Price
Non-vested at December 31, 2024	292,166	$ 1.08
Granted	—	—
Vested	(46,345)	(1.10)
Forfeited	—	—
Non-vested at March 31, 2025	245,821	$ 1.07

The total number of RSUs granted during the three months ended March 31, 2025 and 2024 was 0 and 0, respectively.

The Company recognized stock-based compensation expense related to warrant vesting amortization of $51,910 and $0 for the three months ended March 31, 2025 and 2024, respectively, which is included in general and administrative expenses in the consolidated statements of operations.

NOTE 7 – LEGAL

Parexel Claim

On July 31, 2024, the Company received a demand letter from an attorney representing Parexel International (IRL) Limited ("Parexel"). The letter, which was addressed to both the Company and Chromocell Holdings, purports to be a notice of default of a note (the "Promissory Note") between Chromocell Holdings and Parexel and seeks the payment of allegedly unpaid principal in the amount of $682,551 plus interest exceeding $177,000. The Company denies that it is liable for any of the amounts sought by Parexel; the Company is not a party to the Promissory Note and does not believe it is liable for any amounts allegedly due thereunder. The Company intends to defend itself vigorously in the matter.

NOTE 8 – SEGMENT DISCLOSURE

The clinical-stage biotech segment focused on developing and commercializing new therapeutics to alleviate pain. Our clinical focus is to selectively target the sodium ion-channel known as "NaV1.7", which has been genetically validated as a pain receptor in human physiology. A NaV1.7 blocker is a chemical entity that modulates the structure of the sodium-channel in a way to prevent the transmission of pain perception to the CNS. Our goal is to develop a novel and proprietary class of NaV blockers that target the body's peripheral nervous system. This segment is currently pre-revenue.

The accounting policies of the clinical-stage biotech segment are the same as those described in the summary of significant accounting policies.

The chief operating decision maker assesses performance for the clinical-stage biotech segment and decides how to allocate resources based on net loss that also is reported on the statement of operations as consolidated net loss.

The measure of segment assets is reported on the balance sheet as total assets.

The chief operating decision maker uses net loss to evaluate spending in deciding how funds should be allocated in preforming the Company's research and development. Net loss is used to monitor budget versus actual results.

The Company has one reportable segment: clinical-stage biotech. This segment performs research and development for biotech products. Since the Company only has one segment, the segment information is the same as the consolidated financials.

The Company's chief operating decision maker is the chief executive officer, with such individual also holding the position of chief financial officer.

NOTE 9 – SUBSEQUENT EVENTS

Merger Agreement

On April 16, 2025, the Company, CHRO Merger Sub Inc., a Delaware corporation and wholly owned subsidiary of the Company (the "Merger Sub"), and LNHC, Inc., a Delaware corporation ("LNHC"), and solely for the purposes of Article III thereof, Ligand Pharmaceuticals Incorporated, a Delaware corporation and the parent of LNHC ("Ligand") entered into an Agreement and Plan of Merger (the "Merger Agreement"), pursuant to which, among other matters, and subject to the satisfaction or waiver of the conditions set forth in the Merger Agreement, Merger Sub will merge with and into LNHC, with LNHC continuing as a wholly-owned subsidiary of the Company and the surviving corporation of the merger (the "Merger"). The Merger is intended to qualify for federal income tax purposes as a tax-free reorganization under the provisions of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"), or, in the event that the former stockholders of LNHC and certain other persons are in "control" of the Company immediately after the Merger (within the meaning of Section 368(c) of the Code), the Merger is also intended to qualify as a non-taxable exchange of shares of LNHC capital stock for the Company's Common Stock, within the meaning of Section 351(a) of the Code.

Subject to the terms and conditions of the Merger Agreement, at the effective time of the Merger (the "Effective Time"), each then outstanding share of LNHC capital stock will be converted into the right to receive a number of shares of Series A Convertible Preferred Stock, par value $0.0001 per share (the "Series A Preferred Stock") of the Company (subject to the payment of cash in lieu of fractional shares) calculated in accordance with the Merger Agreement (the ratio of such conversion, the "Exchange Ratio"). The Exchange Ratio represents the number of shares of Common Stock issuable upon conversion of the Series A Preferred Stock that will be received for each LNHC share outstanding immediately prior to the Merger. It is calculated by dividing the shares of Common Stock (derived from the post-closing shares of Common Stock and the LNHC allocation percentage based on the relative valuations of $67 million for LNHC and $15 million for the Company) by the total number of LNHC shares outstanding.

Based on current capitalization, upon the closing of the Merger, after giving effect to the PIPE Financing (as defined below), on a pro forma basis and based upon the number of shares of Common Stock expected to be issued in the Merger, the Company securityholders as of immediately prior to the Merger are expected to own approximately 8.0% of the outstanding shares of capital stock of the Company, Ligand, including its participation in the PIPE Financing, is expected to own approximately 55.9% of the outstanding shares of capital stock of the Company, and the other PIPE Investors (as defined below) are expected to own approximately 36.2% of the outstanding shares of capital stock of the Company, in each case, on a fully-diluted basis, calculated using the treasury stock method, subject to certain assumptions, including, but not limited to, a valuation for LNHC equal to $67 million and a valuation for the Company equal to $15 million, in each case as further described in the Merger Agreement. For purposes of calculating the Exchange Ratio, shares of Common Stock underlying the Company stock options outstanding as of immediately prior to the closing of the Merger with an exercise price of less than the volume weighted average closing trading price of a share of Common Stock on The NYSE American LLC (the "NYSE American") for the five consecutive trading days ending five trading days immediately prior to the closing of the Merger will be deemed to be outstanding, and, such shares will be calculated using the treasury stock method.

Each of the Company and LNHC has agreed to customary representations, warranties and covenants in the Merger Agreement, including, among others, covenants relating to (i) obtaining the requisite approvals of their respective stockholders, (ii) non-solicitation of alternative acquisition proposals, (iii) the conduct of their respective businesses during the period between the date of signing the Merger Agreement and the closing of the Merger and (iv) the Company using its commercially reasonable efforts to maintain the existing listing of the Common Stock on the NYSE American and the Company causing the shares of Common Stock issuable upon conversion of the Series A Preferred Stock to be issued in connection with the Merger to be approved for listing on the NYSE American at or prior to the Effective Time.

The consummation of the Merger is subject to certain closing conditions, including, among other things, (i) the Merger Agreement having been approved by means of written consents by the requisite stockholders of LNHC and the Company, (ii) the issuance of the Common Stock and the amendment to the Company's articles of incorporation to change the name of the Company to "Pelthos Therapeutics Inc." having been approved and ratified, respectively, by means of the written consent by the requisite consent of the Company stockholders under applicable law and the NYSE American regulations, (iii) no governmental entity of competent jurisdiction having enacted, issued, promulgated, enforced or entered any order, executive order, stay, decree, judgment or injunction (preliminary or permanent) or statute, rule or regulation which is in effect and which has the effect of making the Merger illegal or otherwise prohibiting consummation of the Merger, (iv) the approval of the listing of the additional shares of Common Stock issuable upon conversion of the Series A Preferred Stock on the NYSE American having been obtained and the shares of Common Stock issuable upon conversion of the Series A Preferred Stock to be issued in the Merger pursuant to the Merger Agreement having been approved for listing, subject to official notice of issuance, on the NYSE American; (v) entry into the Royalty Agreements (as defined in therein), and (vi) the PIPE Financing having been consummated or being consummated concurrently with the closing of the Merger or immediately before the closing of the Merger in accordance with the terms of the Securities Purchase Agreement (as defined below). Each party's obligation to consummate the Merger is also subject to other specified customary conditions, including the representations and warranties of the other party being true and correct as of the date of the Merger Agreement and as of the closing date of the Merger, generally subject to an overall material adverse effect qualification, the performance in all material respects by the other party of its obligations under the Merger Agreement required to be performed on or prior to the date of the closing of the Merger, and the absence of any material adverse effect affecting the other party that is continuing on the closing date.

The Merger Agreement contains certain termination rights of each of the Company and LNHC, including, subject to compliance with the applicable terms of the Merger Agreement, the right of each party to terminate the Merger Agreement if the other party exercises its "fiduciary out" prior to receiving the requisite stockholder consent. All fees and expenses incurred in connection with the Merger Agreement and the other transactions contemplated by the Merger Agreement will be paid by the party incurring such expenses, whether or not the Merger is consummated. Notwithstanding the foregoing, the Company and LNHC will equally share (i) all fees and expenses of the exchange agent and (ii) all fees and expenses, other than accountants' and attorneys' fees, incurred with respect to the printing filing and mailing of an information statement and any amendments or supplements thereto.

Immediately following the Merger, the board of directors of the combined company will consist of Mr. Scott Plesha, Mr. Peter Greenleaf, Mr. Matt Pauls, Mr. Todd Davis, Mr. Richard Baxter, Dr. Richard Malamut and Mr. Ezra Friedberg.

Immediately following the Merger, the executive management team of the combined company is expected to consist of members of the LNHC and CHRO executive management teams prior to the Merger, including Scott Plesha as Chief Executive Officer and Francis Knuettel II as Chief Financial Officer.

Securities Purchase Agreement

On April 16, 2025, the Company entered into a securities purchase agreement (the "Securities Purchase Agreement" and together with the Merger Agreement, the "Transaction Agreements") with LNHC, and certain investors, which includes Nomis Bay Ltd ("Nomis Bay") and Ligand (collectively, the "PIPE Investors"), pursuant to which the PIPE Investors have agreed to subscribe for and purchase in cash an aggregate of approximately 50,100 of shares of Series A Preferred Stock, at a price per share equal to $1,000 (the "Purchase Price") (such transaction, the "PIPE Financing" and together with the Merger, the "Transactions"). The PIPE Financing is expected to close immediately prior to the closing of the Merger. The gross proceeds from the PIPE Financing are expected to be approximately $50.1 million, which amount will include the cancellation of any outstanding amounts under certain bridges notes provided by certain of the PIPE Investors, before paying estimated expenses. The closing of the PIPE Financing is conditioned upon the closing of the Merger, entry into the Royalty Agreements (as defined in the Securities Purchase Agreement), as well as certain other conditions. The Series A Preferred Stock and the shares of Common Stock issuable upon conversion of the Series A Preferred Stock issued in the PIPE Financing will be issued pursuant to an exemption from the registration requirements of the Securities Act, and the resale of the shares of Common Stock issuable upon conversion of the Series A Preferred Stock will be registered pursuant to a resale registration statement (the "Registration Statement").

The Company also agreed to defend, indemnify and hold harmless the PIPE Investors and their respective stockholders, partners, members, officers, directors, employees, direct or indirect investors, and any of their agents or other representatives against any and all actions, causes of action, suits, claims, losses, costs, penalties, fees, liabilities and damages, and expenses in connection therewith (including reasonable attorneys' fees) arising out of or relating to: (i) any misrepresentation or breach of any representation or warranty made by the Company or its subsidiaries, (ii) any breach of any covenant, agreement or obligation owed by the Company or its subsidiaries, or (iii) any cause of action, suit, proceeding or claim brought by a third party, including any derivative action, that arises out of or relates to (A) the execution, delivery, performance or enforcement of the Purchase Agreement and related transaction documents, (B) any transaction financed or to be financed in whole or in part with the proceeds of the PIPE Financing, or (C) the status of such PIPE Investor either as an investor in the Company pursuant to the transactions contemplated by the Purchase Agreement or as a party to the Purchase Agreement and related transaction documents.

July Note Conversions

On July 24, 2024, the Company entered into a securities purchase agreement with the July Note Holder, pursuant to which the Company issued to the July Note Holder the July Note in the aggregate principal amount of $750,000, which is convertible into shares of Common Stock. On April 16, 2025, the July Note Holder converted $400,000 of principal of its note, at a conversion price of $1.506 per share, into 265,606 shares of the Company's common stock and on April 21, the July Note Holder further converted $200,000 of principal of its note, at a conversion price of $1.506 per share, into 132,803 shares of the Company's Common Stock. Following these conversions, approximately $131,868 of the original $750,000 principal remains outstanding.

May Bridge Note

On May 8, 2025, the Company issued an unsecured promissory note in the aggregate principal amount of $325,000 (the "May Bridge Note") to the Holder, for a purchase price of $250,000, pursuant to which the Company promises to pay the Holder or its registered assigns the principal sum of $325,000 or such amount equal to the outstanding principal amount of the May Note together with interest. The May Bridge Note bears interest on the outstanding principal amount at an annual rate equal to 6.0%. The May Bridge Note may be prepaid by the Company without penalty, in whole or in part, upon two days' prior written notice to the Holder. All unpaid principal, together with any then unpaid and accrued interest and other amounts payable under the May Bridge Note, will otherwise be due and payable on the earliest of: (i) September 30, 2025, (ii) the consummation of a Corporate Event (as defined in the May Bridge Note), or (iii) when, upon or after the occurrence of an Event of Default (as defined in the Note), such amounts are declared due and payable by the Holder or made automatically due and payable in accordance with the terms of the May Bridge Note.

February Bridge Note Amendment

On May 12, 2025, the Company executed a first amendment (the "February Bridge Note Amendment") to the February Bridge Note. The February Bridge Note Amendment extends the maturity date of the February Bridge Note from May 25, 2025 to September 30, 2025. Aside from extending the maturity date of the February Bridge Note, the February Bridge Note Amendment does not amend, alter, restate or otherwise change the principal terms and conditions of the February Bridge Note.

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

Cautionary Notice Regarding Forward Looking Statements

This Quarterly Report on Form 10-Q (this "Report") contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements discuss matters that are not historical facts. Because they discuss future events or conditions, forward-looking statements may include words such as "anticipate," "believe," "estimate," "intend," "could," "should," "would," "may," "seek," "plan," "might," "will," "expect," "predict," "project," "forecast," "potential," "continue," negatives thereof or similar expressions. These forward-looking statements are found at various places throughout this Report and include information concerning possible or assumed future results of Channel Therapeutics Corporation's ("Channel", the "Company", "our", "us" or "we") operations; business strategies; future cash flows; financing plans; plans and objectives of management; any other statements regarding future operations, future cash needs, business plans and future financial results, and any other statements that are not historical facts.

From time to time, forward-looking statements also are included in our other periodic reports on Form 10-K, 10-Q and 8-K, in our press releases, in our presentations, on our website and in other materials released to the public. Any or all of the forward-looking statements included in this Report and in any other reports or public statements made by us are not guarantees of future performance and may turn out to be inaccurate. These forward-looking statements represent our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, including risks related to market, economic and other conditions; our current liquidity position, the need to obtain additional financing to support ongoing operations, Channel's ability to continue as a going concern; Channel's ability to maintain the listing of its Common Stock on the NYSE American LLC, Channel's ability to manage costs and execute on its operational and budget plans; and, Channel's ability to achieve its financial goals. Many of those factors are outside of our control and could cause actual results to differ materially from the results expressed or implied by those forward-looking statements. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than we have described. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Report. All subsequent written and oral forward-looking statements concerning other matters addressed in this Report and attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this Report.

Except to the extent required by law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, a change in events, conditions, circumstances or assumptions underlying such statements, or otherwise.

Overview

We are a clinical-stage biotech company focused on developing and commercializing new therapeutics to alleviate pain. Our clinical focus is to selectively target the sodium ion-channel known as "NaV1.7", which has been genetically validated as a pain receptor in human physiology. A NaV1.7 blocker is a chemical entity that modulates the structure of the sodium-channel in a way to prevent the transmission of pain perception to the central nervous system ("CNS"). Our goal is to develop a novel and proprietary class of NaV blockers that target the body's peripheral nervous system.

Channel has formally launched three programs developing pain treatment therapeutics, all of which are based on the same proprietary molecule, as follows:

Eye Pain: Based on a novel formulation of CC8464, its Eye Pain program, titled CT2000, is for the potential treatment of both acute and chronic eye pain. NaV1.7 channels are present on the cornea, making it a viable biological target for treating eye pain. Eye pain may occur with various conditions, including severe dry eye disease, trauma and surgery. Existing therapies for eye pain (such as steroids, topical non-steroidal anti-inflammatory agents, lubricants, local anesthetics) are limited in their effectiveness and/or limited in the duration that they may be prescribed because of safety issues. Channel intends to explore the viability of developing CT2000 as a topical agent for the relief of eye pain. A potential advantage of this approach is that topical administration of CT2000 is unlikely to lead to any hypersensitivity or skin reactions, like what was noted with systemic administration of CC8464, because the systemic absorption from a topical administration would be extremely limited. Channel has developed topical ophthalmic formulations and are pursuing trial plans as set forth below.

Current options for the treatment of ocular pain center on the use of corticosteroids and non-steroidal anti-inflammatory drug ("NSAID") based therapeutics. These options suffer from sight-threatening complications such as Glaucoma and corneal melting, thus there is a large unmet need for other approaches. As an example of the potential patient population, Channel estimates that there are approximately 5 million cases of corneal abrasions per year in the United States. In addition, other potential indications associated with eye pain include:

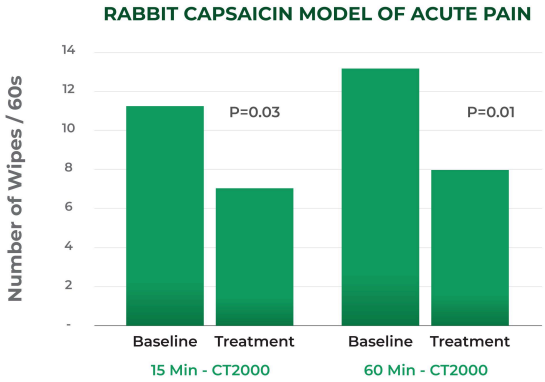
- severe dry eye,
- side effects from photorefractive keratectomy (PRK) and pterygium surgery,
- second eye cataract surgery,
- neuropathic corneal pain, and
- severe uveitis and severe iritis/scleritis.

As NaV1.7 channels are present on the cornea and is a viable biological target for treating eye pain, Channel believes that it has a sound scientific basis for its ability to treat a multitude of eye pain indications. It has successfully developed an eye drop formulation and has determined that the eye drops are well tolerated by animals.

Channel has two completed animal efficacy studies and are in the process of completing pivotal IND enabling ophthalmic toxicology studies. Channel expects to announce the toxicology results in May 2025. The efficacy studies are as follows:

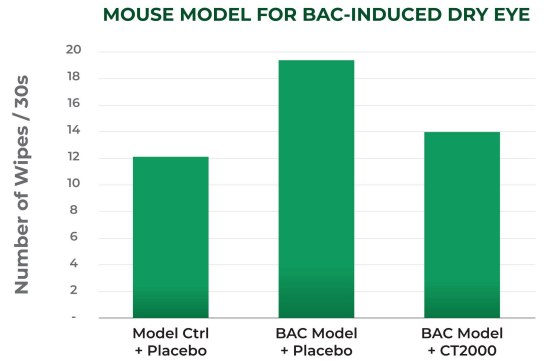
Trial One

In the first trial, rabbits were treated with capsaicin (i.e., Pepper spray) to mimic an acute ocular insult in a common, validated model for acute eye pain studies. Following the capsaicin treatment, the rabbits were treated with CT2000, which was dosed four times over a 24-hour period. Pain was measured by the number of paw wipes over 60 seconds (paw wipes are a recognized surrogate of eye pain in animal models). The results showed that CT2000 significantly reduced the number of paw wipes within 15 minutes of administration of capsaicin and that CT2000 continued to show efficacy over a 60-minute period following administration. This eye pain model was only validated for a short duration, with the results summarized in the following graph:



Trial Two

In the second trial, benzalkonium chloride ("BAC") was instilled in mice eyes over a multiday period to create a model of dry eye disease (the study was repeated twice). BAC is a detergent that irritates the eyes and simulates dry eye disease. As with the capsaicin model summarized above, increased paw wipes over 60 seconds are a surrogate to measure ocular pain. Following the induction of dry eye using BAC, the mice were dosed with CT2000 four times per day for 7 days. CT2000 reduced the frequency of paw wipes within a single day of administration and showed cumulative efficacy over time (the analgesic effect appeared to further improve when dosed over several days). The results after 1 day of dosing CT2000 are summarized in the following graph:



Following the animal studies, if successful, Channel intends to move into proof-of-concept ("POC") studies in humans. Channel plans to conduct the POC study in Australia to avail itself of the streamlined regulatory structure and a 43.5% tax credit for clinical expenses incurred in Australia and, on January 9, 2023, established an Australian subsidiary through which the work will be conducted. Channel is planning to conduct the POC in a clinic in Brisbane, Australia and are is in the process of contracting the services to perform a trial in patients suffering from pain associated with dry-eye disease.

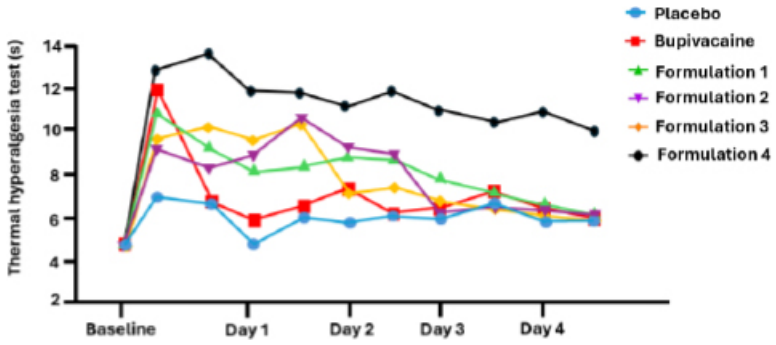
Depot Program: Based on several novel formulations of CC8464, Channel's most recently launched program, titled CT3000, is for the potential treatment of post operative pain with the use of nerve blocks. Examples would include knee surgery or shoulder surgery. Existing therapies for nerve blocks lead to neuromuscular blockade which prevents

movement following surgery. Doctors often want patients to move soon after surgery to avoid complications such as blood clots. A NaV1.7 inhibitor used for nerve blocks may provide good analgesia but will not lead to neuromuscular blockade that prevents movement like other local anesthetics.

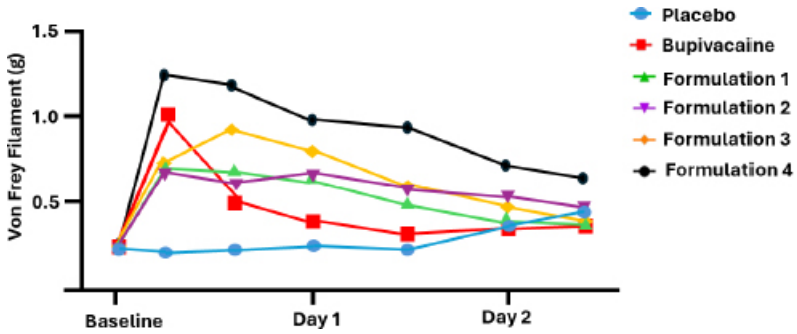
Channel has successfully developed a number of formulations and in December 2024, announced that it achieved its endpoints in two pre-clinical in vivo models of Channel's nerve block formulations for acute pain, showing material improvement over the existing standard of care, bupivacaine, in both efficacy and duration.

Channel performed a thermal hyperalgesia test in rodents with a placebo arm, bupivacaine arm and four arms of the main formulations of Channel's molecule. Channel also performed a mechanical allodynia test in rodents with the same arms as above. For both models, the drugs were administered as a sciatic nerve block. All four Company formulations showed a depot effect in excess of four days, an improvement over bupivacaine, the current standard of care.

The results of the thermal hyperalgesia results are shown in the chart below. After thirty minutes, three of the four formulations showed materially better efficacy than bupivacaine, with each of the three being statistically superior to placebo for more than two days longer than bupivacaine. One of the formulations remained statistically superior to placebo for more than four days. Further, as NaV1.7 does not have an impact on mobility, this approach may offer a better option for post-surgical physical therapy as current nerve block therapies cause temporary paralysis in the affected area.



Similarly for the mechanical allodynia test results, three of the four formulations showed statistically better efficacy for a longer duration of time than bupivacaine. The mechanical allodynia test is shorter in duration, reflecting the subject's innate swift recovery rate to surgical incisions. Nonetheless, the results mirrored the successful results set forth with the thermal hyperalgesia test.



Following the close of the Merger, Channel will review the timing and budget related to the commencement of toxicology and CMC work and a subsequent human POC trial.

Neuropathic Pain: CC8464 is being developed to address certain types of neuropathic pain. The chemical characteristics of CC8464 restrict its entry into the CNS and limit its effect to the NaV1.7 channels in the peripheral nervous system, which consists of the nerves outside the brain and spinal cord. Activation of other channels in the CNS can result in side effects, including addiction and other centrally mediated adverse effects. Since CC8464 is designed to not penetrate the CNS it is highly unlikely to produce CNS mediated side effects including euphoria or addiction. Based on its characteristics, preclinical studies (described below) and the Phase 1 studies Channel has completed to date, Channel believes that CC8464, if approved, could become an attractive option for both patients and physicians as a treatment for moderate-to-severe pain in Erythromelalgia ("EM") and idiopathic small fiber neuropathy ("iSFN").

Channel conducted four Phase 1 trials with 207 patients. The results showed that CC8464 has a good overall tolerability and demonstrated no liver or renal toxicity, no central nervous system changes and no cardiovascular findings but may cause skin rashes in certain patients. The occurrence of skin rashes is not uncommon with the class of molecules to which CC8464 belongs and the rashes were successfully treated in all cases with topical steroids and/or topical antihistamines (with the exception of one patient requiring systemic steroids).

As a result of the potential for skin rashes, following discussions with the FDA, Channel will conduct a slow dose escalation study to further evaluate the incidence of rashes. By titrating the dose over several weeks, Channel anticipates that Channel will reduce or eliminate this side effect. Channel expects that the slow dose escalation study will also help determine the need for dose escalation in the final treatment regime. Even though the FDA has in the past approved drugs that listed rashes as a potential side effect, Channel does not know if CC8464 will be approved by the FDA (or any foreign authority).

When the dose escalation trial is funded, Channel will enroll approximately 20 healthy volunteers who will receive CC8464 over a period of several weeks, with the dose escalation study expected to take approximately 9-12 months in total. Channel anticipates that the slower dose escalation will decrease the likelihood of drug-related skin reactions. The primary endpoint of the dose escalation trail will be safety and tolerability of the slower dose titration; however, Channel will also be measuring blood concentrations of CC8464, which will allow it to better understand the pharmacokinetics of CC8464. Even if it is ultimately determined that Channel will need an escalation period for chronic pain treatment therapy, which patients could well take for the remainder of their lives, Channel does not believe the dose escalation approach will be consequential.

When and if Channel decides to move forward with the CC8464, Channel expects to conduct the dose escalation trial in Australia to avail itself of the streamlined regulatory structure and tax credit set forth above, utilizing its Australian subsidiary through which the work will be conducted. The location of the POC has not been determined at this time, with availability of facilities and patient population, costs, tax credits, centers of excellence in the respective fields (EM or iSFN) are all factors in the ultimate determination of the location.

In parallel with the dose escalation study, Channel expects to run a pilot efficacy study on approximately ten EM patients. In this study, Channel will induce EM flares, determine baseline pain, and then dose escalate CC8464, after which, Channel will attempt to induce flares. The primary endpoint will be the amount of pain experienced, and the secondary endpoint is a determination if CC8464 reduces the frequency of EM flares.

Channel is currently working on the development of the Phase 2a POC plan and expect to launch the Phase 2a POC study following the dose escalation study and EM pilot study, to assess the potential efficacy of CC8464 in iSFN patients. Both of iSFN and EM are orphan indications for which Channel plans to apply for orphan drug designations. The orphan indication may decrease the scope of the ultimate development program that is necessary for approval and is associated with a marketing exclusivity period from the FDA along with some tax advantages.

Though the Phase 2a POC study design has not yet been completed, the study will take approximately twelve months after it is initiated. The primary endpoint will be the amount of pain experienced from iSFN with secondary endpoints including other measurements like pain relief and neuropathy scores. The final design may change based on feedback from regulatory authorities or information learned during the dose escalation trial.

The potential population for EM in the United States is estimated to be between 5,000 and 50,000 patients and the potential population for iSFN in the United States is estimated to be between 20,000 and 80,000 patients. In both instances, Channel expects patients would potentially take its drug for the remainder of their lives, and given the lack of good therapeutic alternatives, Channel expects to have a robust, ongoing, and durable market.

The Phase 2a results will have significance beyond EM and iSFN and provide important insights about NaV1.7 as a potential target to find novel pain medications as an alternative to opioids, the continuing primary standard of care in analgesics. Channel believes that positive results from the Phase 2a study could not only act as support for CC8464's potential in EM and iSFN but may also provide guidance of its potential for other indications of peripheral neuropathic pain.

Channel may further expand its pipeline with other internal or external compounds in the future, but all other internally discovered compounds are pre-clinical.

Benuvia Spray Formulations: In addition to our NaV1.7 programs set forth above, on December 23, 2023, we entered into an exclusive licensing agreement (the "Benuvia License Agreement") with Benuvia for a sublingual formulation of a Diclofenac spray for the treatment of acute pain, a Rizatriptan intranasal spray formulation and an Ondansetron sublingual spray formulation (collectively, the "Spray Formulations"). The Spray Formulations diversify our pipeline of non-opioid pain treatment therapies, while adding therapeutic options for related conditions. The sublingual formulation of a Diclofenac spray for the treatment of acute pain (the "Diclofenac Spray Formulation") is patented and has started clinical development in human volunteers. Preliminary pharmacokinetics suggest that this formulation may have a faster onset of action than oral Diclofenac tablets. Diclofenac is an NSAID that is also marketed under additional brand names including Voltaren and Cataflam in its pill form. A single Phase 1 trial of the Diclofenac Spray Formulation was completed in 24 healthy volunteers wherein a single dose of 50mg diclofenac-potassium was compared to 25 mg of Diclofenac Spray Formulation. In this trial, the blood plasma concentrations of Diclofenac rose more quickly with the Diclofenac Spray Formulation than with the diclofenac administered orally by approximately 15 minutes. This suggests that the Diclofenac Spray Formulation may have a faster onset of analgesia; however, additional trials may be needed to confirm this effect. Additionally, the initial pharmacokinetic study demonstrated that a 25mg dose of Diclofenac Spray Formulation resulted in lower systemic exposure to Diclofenac than the oral dose of 50mg diclofenac-potassium which means that an additional Phase I pharmacokinetic study exploring additional higher doses of the sublingual diclofenac spray will likely be necessary to determine the appropriate dose.

Rizatriptan, whose brand name is Maxalt, is used for the acute treatment of migraines as a pill. By a number of clinical measures, it is thought to be superior to Sumatriptan. Both Rizatriptan and Sumatriptan belong to a family of tryptamine-based medications named "triptans" that work as serotonin 1A receptor (or 5-HT1A-receptor) agonists and are indicated for the treatment of migraine. An intranasal spray formulation of Rizatriptan (the "Rizatriptan Spray Formulation") may potentially have a faster onset of action than an oral form and may be easier to tolerate than swallowing a pill when patients are experiencing nausea as a result of the migraine headache. According to a study that was reported in 2001, Rizatriptan has a higher bioavailability and a more rapid onset of action which may be responsible for better results in resolving migraines as well as better results in patients reporting that they are "pain free" after 2 hours. Both Sumatriptan and Rizatriptan are competitors for the same indication, though neither are widely marketed because they are generic drugs.

Ondansetron is an anti-emetic that is available in oral and intravenous form. An Ondansetron sublingual spray formulation (the "Ondansetron Spray Formulation") may potentially have a faster onset of action than an oral form and may be easier to tolerate than swallowing a pill when patients are experiencing nausea. Under the terms of the Benuvia License Agreement, Benuvia will be responsible for the manufacturing and supply of the Spray Formulations, but we will have exclusive, worldwide rights to develop, commercialize and distribute the Spray Formulations.

We currently do not have strategy and development plans for the Spray Formulations licensed from Benuvia.

Background

Channel Therapeutics Corporation ("Channel" or the "Company") was incorporated in Delaware on March 19, 2021. On November 18, 2024 ("Reincorporation Merger Effective Date"), Chromocell Therapeutics Corporation, a Delaware corporation (the "Predecessor"), merged with and into its wholly-owned subsidiary, Channel Therapeutics Corporation, a Nevada corporation (the "Reincorporation Merger"), pursuant to an agreement and plan of merger, dated as of November 18, 2024 (the "Reincorporation Merger Agreement"). All information disclosed in this Form 10-Q for periods prior to the Reincorporation Merger Effective Date relates to the Predecessor, and all information disclosed in this Form 10-Q for periods after the Reincorporation Merger Effective Date relates to Channel Therapeutics Corporation, a Nevada corporation.

On August 10, 2022, we entered into the Contribution Agreement with Chromocell Holdings. Pursuant to the Contribution Agreement, as of the Contribution Date, we acquired from Chromocell Holdings all assets, liabilities and results of operations related to Chromocell Holdings' therapeutic business, including all patents, pre-clinical and Phase I study results and data, and trade secrets related to the CC8464 compound, in exchange for the issuance by us of 1,111,112 shares of our common stock, par value $0.0001 per share ("Common Stock") and (ii) 600,000 shares of Series A Convertible Preferred Stock ("Series A Preferred Stock").

On August 2, 2023, we entered into a Side Letter to the Contribution Agreement with Chromocell Holdings (the "Holdings Side Letter"). Pursuant to the Holdings Side Letter, upon closing of our initial public offering ("IPO"): (a) Chromocell Holdings re-assumed all $1.6 million in direct liabilities previously assumed by the Company in accordance with the Contribution Agreement, (b) Chromocell Holdings waived the Company's obligations to make a cash payment in the amount of $0.6 million to Chromocell Holdings, and (c) in consideration thereof, we issued to Chromocell Holdings 2,600 shares of Series C Preferred Stock.

On February 21, 2024, we completed the IPO and issued and sold 1,100,000 shares of Common Stock at a price to the public of $6.00 per share. The aggregate net proceeds from the IPO were approximately $5.7 million after deducting underwriting discounts and commissions of approximately $0.5 million and offering expenses of approximately $0.4 million.

In connection with the completion of the IPO: (A) we effected the 9-for-1 reverse stock split effective February 15, 2024 (the "Reverse Stock Split") of our shares of Common Stock, (B) all 600,000 issued and outstanding shares of our Series A Preferred Stock automatically converted into 499,429 shares of Common Stock, (C) $389,757 and accrued interest of approximately $28,336 as of February 21, 2024 outstanding under our senior secured convertible notes issued in a bridge financing in April 2023 for an aggregate principal amount of $393,808 (the "April Bridge Financing") after giving effect to the Representative Affiliate Transactions (as defined below), automatically converted into approximately 87,109 shares of Common Stock, (D) $197,421 and accrued interest of $8,169 as of February 21, 2024 outstanding under our senior secured convertible notes issued in a bridge financing in September 2023 for an aggregate principal amount of $198,128 (the "September Bridge Financing" and together with the April Bridge Financing, the "Bridge Financings") after giving effect to the Representative Affiliate Transactions, automatically converted into approximately 43,385 shares of Common Stock, which includes an additional 549 shares of Common Stock issuable as consideration for the September Bridge Financing (the "Bonus Shares"), (E) we issued 37,500 shares of Common Stock to an investor as consideration for its previous agreement to provide funding that is no longer necessary in connection with the IPO, (F) we effected the Representative Affiliate Transactions, (G) we effected the transactions contemplated by the Holdings Side Letter, and issued an aggregate of 2,600 shares of Series C Preferred Stock to Chromocell Holdings pursuant thereto, and (H) we issued (i) 93,823 shares to a lender holding a note payable for $450,000 (the "Investor Note") and (ii) 29,167 shares to one of our directors holding the promissory note in the aggregate principal amount of $175,000 (the "Director Note") in full satisfaction of our obligations thereunder (in the case of (A) through (D) and (H) above, based on the IPO price of $6.00 per share of Common Stock). We refer to these actions as the "IPO Transactions."

In addition, certain stockholders of the Company ("Selling Stockholders"), as identified in the Registration Statement, have agreed to offer for resale of up to an aggregate of 2,969,823 shares of Common Stock (the "Selling Stockholder Shares") to the public. After conversion of the convertible notes or shares of preferred stock, as applicable, the Selling Stockholders, or their respective transferees, pledgees, donees or other successors-in-interest, may sell the Selling Stockholders Shares through public or private transactions at prevailing market prices, at prices related to prevailing market prices or at privately negotiated prices. We will not receive any proceeds from the sale of the Selling Stockholder Shares by the Selling Stockholders.

The affirmative vote of a majority of the outstanding shares of Common Stock present in person, by remote communication, if applicable, or represented by proxy at the annual meeting of stockholders held on October 22, 2024 approved a reincorporation merger of the Company in the State of Nevada with and into Channel Therapeutics Corporation, a wholly-owned subsidiary of the Company, with Channel Therapeutics Corporation remaining as the surviving corporation immediately following the reincorporation merger (the "Reincorporation Merger"). The Reincorporation Merger occurred on November 18, 2024.

On December 18, 2024, 747,187 shares of Common Stock and 2,600 shares of Series C Preferred Stock held by Chromocell Holdings were transferred by the Company to AWI in satisfaction of a default judgement against Chromocell Holdings regarding the default by Chromocell Holdings of a secured promissory note by order of the Supreme Court of the State of New York, County of New York on November 25, 2024 in the matter *Alexandra Wood (Canada) Inc v. Chromocell Corp., Index No. 651735/2024*. AWI subsequently transferred 173,000 shares of Chromocell Holding's shares of Common Stock that it received such that AWI now owns 574,187 shares of the Common Stock originally issued to Chromocell Holdings in connection with the Contribution Agreement.

Trends and Other Factors Affecting Our Business

On December 23, 2023, we entered into an exclusive licensing agreement (the "Benuvia License Agreement") with Benuvia Operations LLC ("Benuvia") for the Diclofenac Spray Formulation (as defined below), an intranasal spray formulation of Rizatriptan and an Ondansetron sublingual spray formulation (collectively, the "Spray Formulations"), diversifying our pipeline of non-opioid pain treatment therapies, while adding therapeutic options for related conditions. The sublingual formulation of a Diclofenac spray for the treatment of acute pain (the "Diclofenac Spray Formulation") is patented and has started clinical development in human volunteers. Preliminary pharmacokinetics suggest that this formulation may have a faster onset of action than oral Diclofenac tablets. Diclofenac is an NSAID that is also marketed under additional brand names including Voltaren and Cataflam in its pill form. Rizatriptan, whose brand name is Maxalt, is used for the acute treatment of Migraines as a pill. By a number of clinical measures it is thought to be superior to Sumatriptan. A sublingual formulation of Rizatriptan may potentially have a faster onset of action than an oral form and may be easier to tolerate than swallowing a pill when patients are experiencing nausea as a result of the migraine headache. Ondansetron is an anti-emetic that is available in oral and intravenous form. An Ondansetron sublingual spray formulation may potentially have a faster onset of action than an oral form and may be easier to tolerate than swallowing a pill when patients are experiencing nausea. Under the terms of the Benuvia License Agreement, Benuvia will be responsible for the manufacturing and supply of the Spray Formulations, but we will have exclusive, worldwide rights to develop, commercialize and distribute the Spray Formulations.

In connection with the Benuvia License Agreement, we agreed to pay Benuvia a six and one-half percent (6.5%) royalty on net sales of the Spray Formulations for a period of up to 15 years from the date of the first commercial sale of any of the Spray Formulations. In addition, on December 23, 2023, we entered into a stock issuance agreement with Benuvia pursuant to which we issued to Benuvia 384,226 shares of our Common Stock, which may be offered and sold pursuant to the resale prospectus which forms a part of the Registration Statement.

We currently do not have strategy and development plans for the Spray Formulations licensed from Benuvia.

Merger Agreement

On April 16, 2025, the Company, CHRO Merger Sub Inc., a Delaware corporation and wholly owned subsidiary of the Company (the "Merger Sub"), and LNHC, Inc., a Delaware corporation ("LNHC"), and solely for the purposes of Article III thereof, Ligand Pharmaceuticals Incorporated, a Delaware corporation and the parent of LNHC ("Ligand") entered into an Agreement and Plan of Merger (the "Merger Agreement"), pursuant to which, among other matters, and subject to the satisfaction or waiver of the conditions set forth in the Merger Agreement, Merger Sub will merge with and into LNHC, with LNHC continuing as a wholly-owned subsidiary of the Company and the surviving corporation of the merger (the "Merger"). The Merger is intended to qualify for federal income tax purposes as a tax-free reorganization under the provisions of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"), or, in the event that the former stockholders of LNHC and certain other persons are in "control" of the Company immediately after the Merger (within the meaning of Section 368(c) of the Code), the Merger is also intended to qualify as a non-taxable exchange of shares of LNHC capital stock for the Company's Common Stock, within the meaning of Section 351(a) of the Code.

Subject to the terms and conditions of the Merger Agreement, at the effective time of the Merger (the "Effective Time"), each then outstanding share of LNHC capital stock will be converted into the right to receive a number of shares of Series A Convertible Preferred Stock, par value $0.0001 per share (the "Series A Preferred Stock") of the Company (subject to the payment of cash in lieu of fractional shares) calculated in accordance with the Merger Agreement (the ratio of such conversion, the "Exchange Ratio"). The Exchange Ratio represents the number of shares of Common Stock issuable upon conversion of the Series A Preferred Stock that will be received for each LNHC share outstanding immediately prior to the Merger. It is calculated by dividing the shares of Common Stock (derived from the post-closing shares of Common Stock and the LNHC allocation percentage based on the relative valuations of $67 million for LNHC and $15 million for the Company) by the total number of LNHC shares outstanding.

Based on current capitalization, upon the closing of the Merger, after giving effect to the PIPE Financing (as defined below), on a pro forma basis and based upon the number of shares of Common Stock expected to be issued in the Merger, the Company securityholders as of immediately prior to the Merger are expected to own approximately 8.0% of the outstanding shares of capital stock of the Company, Ligand, including its participation in the PIPE Financing, is expected to own approximately 55.9% of the outstanding shares of capital stock of the Company, and the other PIPE Investors (as defined below) are expected to own approximately 36.2% of the outstanding shares of capital stock of the Company, in each case, on a fully-diluted basis, calculated using the treasury stock method, subject to certain assumptions, including, but not limited to, a valuation for LNHC equal to $67 million and a valuation for the Company equal to $15 million, in each case as further described in the Merger Agreement. For purposes of calculating the Exchange Ratio, shares of Common Stock underlying the Company stock options outstanding as of immediately prior to the closing of the Merger with an exercise price of less than the volume weighted average closing trading price of a share of Common Stock on The NYSE American LLC (the "NYSE American") for the five consecutive trading days ending five trading days immediately prior to the closing of the Merger will be deemed to be outstanding, and, such shares will be calculated using the treasury stock method.

Each of the Company and LNHC has agreed to customary representations, warranties and covenants in the Merger Agreement, including, among others, covenants relating to (i) obtaining the requisite approvals of their respective stockholders, (ii) non-solicitation of alternative acquisition proposals, (iii) the conduct of their respective businesses during the period between the date of signing the Merger Agreement and the closing of the Merger and (iv) the Company using its commercially reasonable efforts to maintain the existing listing of the Common Stock on the NYSE American and the Company causing the shares of Common Stock issuable upon conversion of the Series A Preferred Stock to be issued in connection with the Merger to be approved for listing on the NYSE American at or prior to the Effective Time.

The consummation of the Merger is subject to certain closing conditions, including, among other things, (i) the Merger Agreement having been approved by means of written consents by the requisite stockholders of LNHC and the Company, (ii) the issuance of the Common Stock and the amendment to the Company's articles of incorporation to change the name of the Company to "Pelthos Therapeutics Inc." having been approved and ratified, respectively, by means of the written consent by the requisite consent of the Company stockholders under applicable law and the NYSE American regulations, (iii) no governmental entity of competent jurisdiction having enacted, issued, promulgated, enforced or entered any order, executive order, stay, decree, judgment or injunction (preliminary or permanent) or statute, rule or regulation which is in effect and which has the effect of making the Merger illegal or otherwise prohibiting consummation of the Merger, (iv) the approval of the listing of the additional shares of Common Stock issuable upon conversion of the Series A Preferred Stock on the NYSE American having been obtained and the shares of Common Stock issuable upon conversion of the Series A Preferred Stock to be issued in the Merger pursuant to the Merger Agreement having been approved for listing, subject to official notice of issuance, on the NYSE American; (v) entry into the Royalty Agreements (as defined in therein), and (vi) the PIPE Financing having been consummated or being consummated concurrently with the closing of the Merger or immediately before the closing of the Merger in accordance with the terms of the Securities Purchase Agreement (as defined below). Each party's obligation to consummate the Merger is also subject to other specified customary conditions, including the representations and warranties of the other party being true and correct as of the date of the Merger Agreement and as of the closing date of the Merger, generally subject to an overall material adverse effect qualification, the performance in all material respects by the other party of its obligations under the Merger Agreement required to be performed on or prior to the date of the closing of the Merger, and the absence of any material adverse effect affecting the other party that is continuing on the closing date.

The Merger Agreement contains certain termination rights of each of the Company and LNHC, including, subject to compliance with the applicable terms of the Merger Agreement, the right of each party to terminate the Merger Agreement if the other party exercises its "fiduciary out" prior to receiving the requisite stockholder consent. All fees and expenses incurred in connection with the Merger Agreement and the other transactions contemplated by the Merger Agreement will be paid by the party incurring such expenses, whether or not the Merger is consummated. Notwithstanding the foregoing, the Company and LNHC will equally share (i) all fees and expenses of the exchange agent and (ii) all fees and expenses, other than accountants' and attorneys' fees, incurred with respect to the printing filing and mailing of an information statement and any amendments or supplements thereto.

Immediately following the Merger, the board of directors of the combined company will consist of Mr. Scott Plesha, Mr. Peter Greenleaf, Mr. Matt Pauls, Mr. Todd Davis, Mr. Richard Baxter, Dr. Richard Malamut and Mr. Ezra Friedberg.

Immediately following the Merger, the executive management team of the combined company is expected to consist of members of the LNHC and CHRO executive management teams prior to the Merger, including Scott Plesha as Chief Executive Officer and Francis Knuettel II as Chief Financial Officer.

Securities Purchase Agreement

On April 16, 2025, the Company entered into a securities purchase agreement (the "Securities Purchase Agreement" and together with the Merger Agreement, the "Transaction Agreements") with LNHC, and certain investors, which includes Nomis Bay Ltd ("Nomis Bay") and Ligand (collectively, the "PIPE Investors"), pursuant to which the PIPE Investors have agreed to subscribe for and purchase in cash an aggregate of approximately 50,100 of shares of Series A Preferred Stock, at a price per share equal to $1,000 (the "Purchase Price") (such transaction, the "PIPE Financing" and together with the Merger, the "Transactions"). The PIPE Financing is expected to close immediately prior to the closing of the Merger. The gross proceeds from the PIPE Financing are expected to be approximately $50.1 million, which amount will include the cancellation of any outstanding amounts under certain bridges notes provided by certain of the PIPE Investors, before paying estimated expenses. The closing of the PIPE Financing is conditioned upon the closing of the Merger, entry into the Royalty Agreements (as defined in the Securities Purchase Agreement), as well as certain other conditions. The Series A Preferred Stock and the shares of Common Stock issuable upon conversion of the Series A Preferred Stock issued in the PIPE Financing will be issued pursuant to an exemption from the registration requirements of the Securities Act, and the resale of the shares of Common Stock issuable upon conversion of the Series A Preferred Stock will be registered pursuant to a resale registration statement (the "Registration Statement").

The Company also agreed to defend, indemnify and hold harmless the PIPE Investors and their respective stockholders, partners, members, officers, directors, employees, direct or indirect investors, and any of their agents or other representatives against any and all actions, causes of action, suits, claims, losses, costs, penalties, fees, liabilities and damages, and expenses in connection therewith (including reasonable attorneys' fees) arising out of or relating to: (i) any misrepresentation or breach of any representation or warranty made by the Company or its subsidiaries, (ii) any breach of any covenant, agreement or obligation owed by the Company or its subsidiaries, or (iii) any cause of action, suit, proceeding or claim brought by a third party, including any derivative action, that arises out of or relates to (A) the execution, delivery, performance or enforcement of the Purchase Agreement and related transaction documents, (B) any transaction financed or to be financed in whole or in part with the proceeds of the PIPE Financing, or (C) the status of such PIPE Investor either as an investor in the Company pursuant to the transactions contemplated by the Purchase Agreement or as a party to the Purchase Agreement and related transaction documents.

Going Concern

For the three months ended March 31, 2025 and 2024, we had a net loss of approximately $2.0 million and approximately $2.6 million, respectively, and will require additional capital in order to operate in the normal course of business and fund clinical studies. The IPO closed on February 21, 2024, from which, the Company received net proceeds from the IPO of approximately $5.7 million after deducting the underwriting discounts and commissions and offering expenses payable by the Company (excluding any exercise of the warrants issued to A.G.P./Alliance Global Partners (the "Representative") or its designees, in connection with the IPO).

Based on the Company's current projections, management believes there is substantial doubt about its ability to continue to operate as a going concern and fund its operations through at least the next twelve months following the issuance of these consolidated financial statements. While the Company will continue to invest in its business and the development of CC8464, CT2000 and CT 3000, and potentially other molecules, it is unlikely that the Company will generate product or licensing revenue during the next twelve months. During the three months ended March 31, 2024, the Company completed its initial public offering, raising $5.7 million, after deducting the underwriting discounts and commissions and offering expenses, and the Company may need to raise additional funds through either strategic partnerships or the capital markets. However, there is no assurance that the Company will be able to raise such additional funds on acceptable terms, if at all. If the Company raises additional funds by issuing securities, existing stockholders may be diluted.

Results of Operations

Comparison of the Three Months Ended March 31, 2025 and 2024

The following table summarizes our results of operations for the three months ended March 31, 2025 and 2024:

	Three Months Ended March 31, 2025 and 2024			
	2025	**2024**	**$ Change**	**% Change**
OPERATING EXPENSES				
General and administrative expenses	$ 1,090,049	$ 787,561	$ 302,488	38%
Research and development	194,298	466,606	(272,308)	(58)%
Professional fees	549,630	679,815	(130,185)	(19)%
Total operating expenses	1,833,977	1,933,982	(100,005)	(5)%
Loss from operations	(1,833,977)	(1,933,982)	100,005	(5)%
Other expense	(133,634)	(628,348)	494,714	(79)%
Net loss before provision for income taxes	(1,967,611)	(2,562,330)	594,719	(23)%
Provision for income taxes	—	—	—	NA
Net loss	$ (1,967,611)	(2,562,330)	594,719	(23)%

Operating Expenses

Our operating expenses consist of general and administrative expenses, research and development expenses and professional fees.

General and Administrative Expenses

We incurred general and administrative expenses for the three months ended March 31, 2025 and 2024 of $1,090,049 and $787,561, respectively. For the three months ended March 31, 2025, compared to the same period in 2024, this represented an increase of $302,488, or 38%, primarily as a result of increases of $173,686 in compensation expenses and an increase of $163,279 in stock compensation.

Research and Development Expenses

We incurred research and development expenses for the three months ended March 31, 2025 and 2024 of $194,298, and $466,606, respectively. For the three months ended March 31, 2025, compared to the same period in 2024, this represented a decrease of $272,308, or 58%, with the details set forth in the table below:

	Three Months Ended March 31, 2025 and 2024			
	2025	**2024**	**$ Change**	**% Change**
Consultant	$ 88,255	$ 30,033	$ 58,222	194%
Lab Gas	605	—	605	- %
Lab Cell Storage	15,428	24,127	(8,699)	(36)%
Chemistry Manufacturing and Controls (“CMC”)	82,170	303,397	(221,227)	(73)%
IP Services	7,840	109,049	(101,209)	(93)%
Total	$ 194,298	$ 466,606	$ (272,308)	(58)%

The Company incurred less research and development expenses for the three months ended March 31, 2025, as compared to the corresponding period in 2024 primarily as a result of a decrease in CMC fees of $221,227.

Professional Fees

We incurred professional expenses for the three months ended March 31, 2025 and 2024 of $549,630 and $679,815, respectively. For the three months ended March 31, 2025, compared to the same period in 2024, this represented a decrease of $130,185, or 19%, as a result of increased legal and accounting fees in 2024 due to the Company’s IPO.

Other Expense

We incurred other expense for the three months ended March 31, 2025 of $133,634 as compared to other expense for the three months ended March 31, 2024 of $628,348. For the three months ended March 31, 2025, compared to the same period in 2024, this represented a decrease of $494,714 or 79%. The other expense for the three months ended March 31, 2025 and 2024 was primarily the result of decreased interest expense. The decrease in the interest expense was due to the remaining amortization of the debt discount on the Company’s notes being accelerated upon the conversion of the notes to equity upon consummation of the IPO during the three months ended March 31, 2024.

Liquidity

Sources of Liquidity and Capital

We are in our early stages of development and growth, without established records of sales or earnings. We will be subject to numerous risks inherent in the business and operations of financially unstable and early stage or emerging growth companies. We have not yet commercialized any products, and we do not expect to generate revenue from product sales of any of our compounds for several years.

Cash totalled $0.1 million and $0.5 million as of March 31, 2025 and December 31, 2024, respectively. As of March 31, 2025 and December 31, 2024, we had an accumulated deficit of approximately $23.4 million and $21.5 million, respectively, and had a working capital deficit of approximately $4.2 million and $2.7 million, respectively.

Historically, we have funded our operations from a series of cash advances from Chromocell Holdings, licensing arrangements, bridge and note issuances and grants from the National Institutes of Health.

On February 8, 2024, we and certain affiliates of the Representative entered into amendments to the senior secured convertible notes issued to such affiliates of the Representative in the April Bridge Financing and September Bridge Financing to remove the automatic conversion features from such notes (the "Bridge Financing Note Amendments"). Under the Bridge Financing Note Amendments, both notes issued in the April Bridge Financing and the September Bridge Financing had a maturity date of March 1, 2024, and the full principal amount of both notes and any accrued interest thereon was payable solely in cash upon the consummation of the IPO. Both notes had an annual interest rate of eight percent (8%), which accrued daily, and was calculated on the basis of a 360-day year (consisting of twelve 30 calendar day periods).

On February 10, 2024, we entered into a Stock Rescission Agreement with certain affiliates of the Representative (the "Stock Rescission Agreement" and, together with the Bridge Financing Note Amendments, the "Representative Affiliate Transactions"), pursuant to which we rescinded 111,129 shares of our Common Stock held by such affiliates of the Representative and agreed to refund an aggregate of $91,513 paid by such affiliates of the Representative in consideration therefor within 30 days of the effective date of the Stock Rescission Agreement. At September 30, 2024, all such amounts have been paid pursuant to the Representative Affiliate Transactions and there are no remaining obligations thereto.

On February 21, 2024, we completed the IPO and issued 1,100,000 shares of Common Stock at a price of $6.00 per share. The aggregate net proceeds from the IPO were approximately $5.7 million after deducting approximately $0.9 million in underwriting discounts and commissions and offering expenses.

In connection with the completion of the IPO: (A) we effected the Reverse Stock Split, effective as of February 15, 2024 (B) all 600,000 issued and outstanding shares of our Series A Preferred Stock automatically converted into 499,429 shares of Common Stock, (C) principal in the amount of $389,757, along with accrued interest of approximately $28,336 as of February 21, 2024, outstanding under our senior secured convertible notes issued in the April Bridge Financing (after giving effect to the Representative Affiliate Transactions), automatically converted into approximately 87,109 shares of Common Stock, (D) principal in the amount of $197,421, along with accrued interest of $8,169 as of February 21, 2024, outstanding under our senior secured convertible notes issued in the September Bridge Financing (after giving effect to the Representative Affiliate Transactions), automatically converted into approximately 43,385 shares of Common Stock, which includes an additional 549 Bonus Shares issuable as consideration for the September Bridge Financing, (E) we issued 37,500 shares of Common Stock to an investor as consideration for its previous agreement to provide funding that is no longer necessary in connection with the IPO, (F) we effected the Representative Affiliate Transactions, (G) we effected the transactions contemplated by the Holdings Side Letter, and issued an aggregate of 2,600 shares of Series C Preferred Stock to Chromocell Holdings pursuant thereto, and (H) we issued (i) 93,823 shares to a lender holding the Investor Note and (ii) 29,167 shares to one of our directors holding the Director Note in full satisfaction of our obligations thereunder (in the case of (A) through (D) and (H) above, based on the IPO price of $6.00 per IPO Share).

In addition, certain Selling Stockholders, as identified in the Registration Statement, have agreed to offer for resale of up to an aggregate of 2,969,823 Selling Stockholder Shares to the public. After conversion of the convertible notes or shares of preferred stock, as applicable, the Selling Stockholders, or their respective transferees, pledgees, donees or other successors-in-interest, may sell the Selling Stockholders Shares through public or private transactions at prevailing market prices, at prices related to prevailing market prices or at privately negotiated prices. We will not receive any proceeds from the sale of the Stockholder Shares by the Selling Stockholders.

On July 26, 2024, the Company entered into a Common Stock Purchase Agreement, dated as of July 26, 2024 (the "CEF Purchase Agreement"), with Tikkun Capital LLC ("Tikkun"), providing for a committed equity financing facility, pursuant to which, upon the terms and subject to the satisfaction of the conditions contained in the CEF Purchase Agreement, Tikkun has committed to purchase, at the Company's direction in its sole discretion, up to an aggregate of $30,000,000 (the "Total Commitment") of the shares of Common Stock (the "Purchase Shares"), subject to certain limitations set forth in the CEF Purchase Agreement, from time to time during the term of the CEF Purchase Agreement. Concurrently with the execution of the CEF Purchase Agreement, the Company and Tikkun also entered into a Registration Rights Agreement, dated as of July 26, 2024, pursuant to which the Company agreed to file with the SEC one or more registration statements, to register under the Securities Act, the offer and resale by Tikkun of all of the Purchase Shares that may be issued and sold by the Company to Tikkun from time to time under the CEF Purchase Agreement.

On August 5, 2024, our board of directors authorized the Repurchase Plan, pursuant to which up to $250,000 of our Common Stock may be repurchased prior to December 31, 2024, unless completed sooner or otherwise extended. Open market purchases are intended to be conducted in accordance with applicable Securities and Exchange Commission regulations, including the guidelines and conditions of Rule 10b-18 and Rule 10b5-1 of the Securities Exchange Act of 1934, as amended. The timing and actual number of shares repurchased will depend on a variety of factors including trading price, the Company's financial performance, corporate and regulatory requirements and other market conditions. On October 22, 2024, the board of directors authorized an amendment (the "Amendment") to the Repurchase Plan to increase the total value of shares of Common Stock available for repurchase by the Company under the Repurchase Plan by an additional $500,000, to $750,000.

On February 25, 2025, the Company issued an unsecured promissory note in the aggregate principal amount of $325,000 (the "February Bridge Note") to the Holder, for a purchase price of $250,000, pursuant to which the Company promises to pay the Holder or its registered assigns the principal sum of $325,000 or such amount equal to the outstanding principal amount of the February Bridge Note together with interest. The February Bridge Note bears interest on the outstanding principal amount at an annual rate equal to 6.0%. The February Bridge Note may be prepaid by the Company without penalty, in whole or in part, upon two days' prior written notice to the Holder. All unpaid principal, together with any then unpaid and accrued interest and other amounts payable under the February Bridge Note, will otherwise be due and payable on the earliest of: (i) May 25, 2025, (ii) the consummation of a Corporate Event (as defined in the February Bridge Note), or (iii) when, upon or after the occurrence of an Event of Default (as defined in the February Bridge Note), such amounts are declared due and payable by the Holder or made automatically due and payable in accordance with the terms of the February Bridge Note.

Future Funding Requirements

Our primary use of cash is to fund clinical development, operating expenses and repay accrued liabilities associated with our IPO and prior operating expenses.

With respect to the Company's future expected operations expenses, the primary expense drivers will be research and development and management overhead, including costs of being a public company. Of these, research and development is a significant expense which has been utilized for the furtherance of the Company's CC8464, CT2000 and CT3000 programs. We have based the research and development costs on current clinical and pre-clinical trial parameters and expectations on certain existing tax credits, and there is no certainty that the clinical and pre-clinical trial parameters or tax credits available to the Company will remain as they are, which could lead to changes in our research and development expenditures. Cash used to fund operating expenses is impacted by the timing of when we pay these expenses, as reflected in the change in our outstanding accounts payable, accrued expenses and prepaid expenses.

We expect to continue to incur significant and increasing expenses and operating losses in connection with our ongoing research and development activities. As a result, we expect to continue to incur operating losses and negative operating cash flows for the foreseeable future.

As a result, we will need to raise additional funding through strategic relationships, public or private equity or debt financings, credit facilities, grants or other arrangements or some combination thereof. If such funding is not available or not available on terms acceptable to us, our current development plan and plans for expansion of our general and administrative infrastructure may be curtailed. If we raise additional funds through the issuance of preferred stock, convertible debt securities or other debt financing, these securities or other debt could contain covenants that restrict our operations. Any other third-party funding arrangement could require us to relinquish valuable rights.

The source, timing and availability of any future financing will depend principally upon market conditions. Funding may not be available when needed, at all, or on terms acceptable to us. Lack of necessary funds may require us to, among other things, delay, scale back or eliminate expenses including some or all of our planned development. There is substantial doubt about our ability to continue as a going concern.

Cash Flows

The following table summarizes our cash flows for the three months ended March 31, 2025 and 2024:

	Three Months Ended March 31, 2025 and 2024			
	2025	**2024**	**$ Change**	**% Change**
Net cash used in operating activities	$ (632,126)	$ (1,991,893)	$ (1,359,767)	(68)%
Net cash provided by financing activities	250,000	5,665,731	5,415,731	(96)%
Net change in cash	$ (382,126)	$ 3,673,838	$ 4,055,964	(110)%

Net Cash Used in Operating Activities

For the three months ended March 31, 2025, we incurred a net loss of $1,967,611, and net cash flows used in operating activities was $632,126. The cash flow used in operating activities was primarily due to a net loss of $1,967,611, offset by stock-based compensation expense of $485,631, amortization of debt discount of $94,213, a change in account payable and accrued expense of $706,478, and by a change in prepaid expenses of $48,963.

For the three months ended March 31, 2024, we incurred a net loss of $2,562,330, and net cash flows used in operating activities was $1,991,893. The cash flow used in operating activities was primarily due to a net loss of $2,562,330, offset by stock-based compensation expense of $292,552, amortization of debt discount of $605,630, a change in account payable and accrued expense of $90,994, change in prepaid expenses of $220,930 and an increase in accrued compensation in the amount of $152,023.

Net Cash (Used in) Provided by Investing Activities

The Company neither received nor used cash in investing activities during the three months ended March 31, 2025 and 2024.

Net Cash Provided by Financing Activities

For the three months ended March 31, 2025, net cash flows provided by financing activities were $250,000 resulting from net proceeds from loans.

For the three months ended March 31, 2024, net cash flows provided by financing activities were $5,665,731 resulting from payments from loans of $214,757, net proceeds from common stock issued for cash of $5,972,000, and payment of recission on stock of $91,512.

Off-Balance Sheet Arrangements

During the three months ended March 31, 2025 and 2024, we did not have, and we do not currently have, any off-balance sheet arrangements, as defined under applicable SEC rules.

Critical Accounting Estimates

The following discussions are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States.

The preparation of these consolidated financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingencies. We continually evaluate the accounting policies and estimates used to prepare the consolidated financial statements. We base our estimates on historical experiences and assumptions believed to be reasonable under current facts and circumstances. Actual amounts and results could differ from these estimates made by management.

See Note 3 – Summary of Significant Accounting Policies to the accompanying consolidated financial statements for a detailed description of our significant accounting policies.

Income Taxes

We are subject to income taxes in the U.S. Significant judgment is required in determining income tax expense, deferred taxes and uncertain tax positions. The underlying assumptions are also highly susceptible to change from period to period. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some or all the deferred tax assets will be realized. The ultimate realization of deferred taxes assets is dependent upon generation of future taxable income during the period in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and taxable income in carryback years and tax-planning strategies when making this assessment. There is currently significant negative evidence which contributes to our recording a valuation allowance against our deferred tax assets due to cumulative losses since inception.

Although we believe our assumptions, judgments, and estimates are reasonable, changes in tax laws or our interpretation of tax laws and the resolution of any tax audits could significantly impact the amounts provided for income taxes in our consolidated financial statements. The effect on deferred tax assets and liabilities from a change in tax rates is recognized in income in the period that includes the enactment date. Adjustments to income tax expense, to the extent we establish a valuation allowance or adjust the allowance in a future period, could have a material impact on our financial condition and results of operations.

Recently Issued and Adopted Accounting Pronouncements

The FASB issues ASUs to amend the authoritative literature in the Accounting Standards Codification (“ASC”). There have been several ASUs to date, including those above, that amend the original text of ASC. Management believes that those issued to date either (i) provide supplemental guidance, (ii) are technical corrections, (iii) are not applicable to us or (iv) are not expected to have a significant impact on our consolidated financial statements.

Other accounting standards that have been issued or proposed by FASB and do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption. Other than below, management does not believe that any other recently issued, but not yet effective, accounting standard if currently adopted would have a material effect on the accompanying consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which requires disaggregated information about a reporting entity’s effective tax rate reconciliation, as well as information related to income taxes paid to enhance the transparency and decision usefulness of income tax disclosures. This ASU will be effective for the annual periods beginning after December 15, 2024. The Company is currently evaluating the impact ASU No. 2023-09 will have on its condensed consolidated financial statements.

In November 2024, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2024-03, "Disaggregation of Income Statement Expenses," which requires disclosures of certain disaggregated income statement expense captions into specified categories within the footnotes to the financial statements. The requirements of the ASU are effective for annual periods beginning after December 15, 2026 and interim reporting periods beginning after December 15, 2027, with early adoption permitted. The requirements will be applied prospectively with the option for retrospective application. The Company is currently evaluating the impact ASU No. 2024-03 will have on its condensed consolidated financial statements.

Segment Reporting

The clinical-stage biotech segment focused on developing and commercializing new therapeutics to alleviate pain. Our clinical focus is to selectively target the sodium ion-channel known as "NaV1.7", which has been genetically validated as a pain receptor in human physiology. A NaV1.7 blocker is a chemical entity that modulates the structure of the sodium-channel in a way to prevent the transmission of pain perception to the CNS. Our goal is to develop a novel and proprietary class of NaV blockers that target the body's peripheral nervous system. This segment is currently pre-revenue.

The accounting policies of the clinical-stage biotech segment are the same as those described in the summary of significant accounting policies.

The chief operating decision maker assesses performance for the clinical-stage biotech segment and decides how to allocate resources based on net loss that also is reported on the statement of operations as consolidated net loss.

The measure of segment assets is reported on the balance sheet as total assets.

The chief operating decision maker uses net loss to evaluate spending in deciding how funds should be allocated in preforming the Company's research and development. Net loss is used to monitor budget versus actual results.

The Company has one reportable segment: clinical-stage biotech. This segment performs research and development for biotech products. Since the Company only has one segment, the segment information is the same as the consolidated financials.

The Company's chief operating decision maker includes the chief executive officer, with such individual also holding the position of chief financial officer.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As a smaller reporting company, as defined in Rule 12b-2 of the Exchange Act, we 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 Rule 13a-15 under the Exchange Act, we have carried out an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Report. This evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in our company's reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. Based on the evaluation of our disclosure controls and procedures as of March 31, 2025, our Chief Executive Officer and our Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were not effective.

Management identified the following material weaknesses:

1. We lack the necessary corporate accounting resources to maintain adequate segregation of duties. Such a lack of segregation of duties is typical in a company with limited resources.

2. We lack the ability to provide multiple levels of review in connection with the financial reporting process, which means that we cannot ensure that we are meeting certain financial reporting and transaction processing controls standards.

3. We lack the necessary internal IT infrastructure to ensure proper IT general controls. Additionally, we are reliant on third-party software for our financial systems and cannot ensure there are no vulnerabilities in these systems.

Changes in Internal Controls

With the completion of the IPO, the Company has begun instituting controls and procedures that we expect will demonstrably improve the effectiveness of the Company's disclosure controls and procedures in upcoming reporting periods.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may be involved in legal proceedings arising in the ordinary course of our business. We are not presently a party to any legal proceedings that, in the opinion of our management, would have a material adverse effect on our business. Regardless of outcome, litigation can have an adverse impact on us due to defense and settlement costs, diversion of management resources, negative publicity and reputation harm, and other factors.

On July 31, 2024, the Company received a demand letter from an attorney representing Parexel International (IRL) Limited ("Parexel"). The letter, which was addressed to both the Company and Chromocell Holdings, purports to be a notice of default of the Promissory Note between Chromocell Holdings and Parexel and seeks the payment of allegedly unpaid principal in the amount of $682,551 plus interest exceeding $177,000. The Company denies that it is liable for any of the amounts sought by Parexel; the Company is not a party to the Promissory Note and does not believe it is liable for any amounts allegedly due thereunder.

Item 1A. Risk Factors

As a smaller reporting company, the Company is not required to include the disclosure required under this Item 1A.

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

Recent Sales of Unregistered Securities

On January 23, 2025, the Company agreed to issue 25,000 shares of Common Stock to a vendor in consideration for the services provided by the vendor to the Company.

The offers and sales of the above securities were deemed to be exempt from registration under the Securities Act in reliance upon Section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder, or Rule 701 promulgated under Section 3(b) of the Securities Act, as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701. The recipients of the above securities represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Stock Repurchase Plan:

On August 5, 2024, the board of directors authorized a stock repurchase plan (the "Repurchase Plan") pursuant to which up to $250,000 of the Company's Common Stock may be repurchased prior to December 31, 2024, unless completed sooner or otherwise extended. We established the Repurchase Plan on the premise that the value of the Company's programs and prospects were not reflected in the trading price of the Company's Common Stock on the NYSE American and in an effort to maintain a minimum price relative to NYSE American's listing standards. Further, the Company endeavored to balance the repurchase of what the Company felt was undervalued stock and the Company's available cash, as a result of which, the timing and actual number of shares repurchased have depended and will continue to depend on a variety of factors including trading price of the Company's Common Stock on the NYSE American, the Company's financial performance, corporate and regulatory requirements and other market conditions.

Repurchase Plan Amendment

On October 22, 2024, the board of directors authorized an amendment (the "Plan Amendment") to the Repurchase Plan to increase the total value of shares of Common Stock available for repurchase by the Company under the Repurchase Plan by an additional $500,000, to $750,000. In addition, the Plan Amendment extended the termination date of the Repurchase Plan from December 31, 2024 to June 30, 2025, prior to which Common Stock may be repurchased, unless completed sooner or otherwise extended.

We did not repurchase any shares during the first quarter of the fiscal year covered by this Quarterly Report on Form 10-Q.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

On May 8, 2025, we issued an unsecured promissory note in the aggregate principal amount of $325,000 (the "May Bridge Note") to the Holder, for a purchase price of $250,000, pursuant to which the Company promises to pay the Holder or its registered assigns the principal sum of $325,000 or such amount equal to the outstanding principal amount of the May Bridge Note together with interest. The May Bridge Note will bear interest on the outstanding principal amount at an annual rate equal to 6.0%. The May Bridge Note may be prepaid by the Company without penalty, in whole or in part, upon two days' prior written notice to the Holder. All unpaid principal, together with any then unpaid and accrued interest and other amounts payable under the May Bridge Note, will otherwise be due and payable on the earliest of: (i) September 30, 2025, (ii) the consummation of a Corporate Event (as defined in the May Bridge Note), or (iii) when, upon or after the occurrence of an Event of Default (as defined in the May Bridge Note), such amounts are declared due and payable by the Holder or made automatically due and payable in accordance with the terms of the May Bridge Note.

On May 12, 2025, the Company executed a first amendment (the "February Bridge Note Amendment") to the February Bridge Note. The February Bridge Note Amendment extends the maturity date of the February Bridge Note from May 25, 2025 to September 30, 2025. Aside from extending the maturity date of the February Bridge Note, the February Bridge Note Amendment does not amend, alter, restate or otherwise change the principal terms and conditions of the February Bridge Note as described in Item 1.01 of the Company's Current Report on Form 8-K filed on March 3, 2025, which disclosure is incorporated herein by reference.

The foregoing descriptions of the May Bridge Note and the February Bridge Note Amendment do not purport to be complete and are subject to, and are qualified in their entirety by, the full text of the May Bridge Note and the February Bridge Note Amendment, which are filed as Exhibits 10.10 and 10.11, respectively, to this Quarterly Report on Form 10-Q and are incorporated herein by reference.

Item 6. Exhibits

Exhibit Number	Description
10.1	Agreement and Plan of Merger by and among Channel Therapeutics Corporation, CHRO Merger Sub Inc., LNHC, Inc. and Ligand Pharmaceuticals Incorporated, dated as of April 16, 2025. (filed as Exhibit 2.1 to Registrant's Current Report on Form 8-K, filed with the SEC on April 17, 2025 and incorporated by reference herein).
10.2	Form of Certificate of Designations of Rights and Preferences of the Series A Convertible Preferred Stock, to be filed with the Secretary of State of the State of Nevada. (filed as Exhibit 3.1 to Registrant's Current Report on Form 8-K, filed with the SEC on April 17, 2025 and incorporated by reference herein).
10.3	Securities Purchase Agreement by and among Channel Therapeutics Corporation, LNHC Inc., and each of the investors thereto, dated as of April 16, 2025. (filed as Exhibit 10.1 to Registrant's Current Report on Form 8-K, filed with the SEC on April 17, 2025 and incorporated by reference herein).
10.4	Form of Lock-Up Agreement (Channel's executive officers and directors). (filed as Exhibit 10.2 to Registrant's Current Report on Form 8-K, filed with the SEC on April 17, 2025 and incorporated by reference herein).
10.5	Form of Lock-Up Agreement (certain investors who have entered the Securities Purchase Agreement). (filed as Exhibit 10.3 to Registrant's Current Report on Form 8-K, filed with the SEC on April 17, 2025 and incorporated by reference herein).
10.6	Form of Lock-Up Agreement (certain investment company). (filed as Exhibit 10.4 to Registrant's Current Report on Form 8-K, filed with the SEC on April 17, 2025 and incorporated by reference herein).
10.7	Form of Lock-Up Agreement (Nomis Bay, Ligand and other investors). (filed as Exhibit 10.5 to Registrant's Current Report on Form 8-K, filed with the SEC on April 17, 2025 and incorporated by reference herein).
10.8	Form of Registration Rights Agreement. (filed as Exhibit 10.6 to Registrant's Current Report on Form 8-K, filed with the SEC on April 17, 2025 and incorporated by reference herein).
10.9	Marcum Letter, dated as of April 17, 2025 (filed as Exhibit 16.1 to Registrant's Current Report on Form 8-K, filed with the SEC on April 17, 2025 and incorporated by reference herein).
10.10	Promissory Note dated May 8, 2025.
10.11	First Amendment to Promissory Note dated May 12, 2025.
31.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	Interactive Data Files (embedded within the Inline XBRL document)
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

+ Indicates management contract or compensatory plan.

In accordance with SEC Release 33-8238, Exhibit 32.1 is being furnished and not filed.

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.

Channel Therapeutics Corporation

Date: May 13, 2025

By: /s/ Francis Knuettel II

Name: Francis Knuettel II
Title: Chief Executive Officer and President, Chief Financial Officer, Treasurer and Secretary
(Principal Executive Officer, Principal Financial Officer, Principal Accounting Officer)

Exhibit 10.10

CHANNEL THERAPEUTICS CORPORATION

PROMISSORY NOTE

Principal: $325,000.00 May 8, 2025
Purchase Price: $250,000.00 New York, NY

FOR VALUE RECEIVED, Channel Therapeutics Corporation, a Nevada corporation (the "***Company***"), promises to pay to 3i, L.P., a Delaware limited partnership (the "***Holder***"), or its registered assigns, in lawful money of the United States of America, the principal sum of **THREE HUNDRED TWENTY-FIVE THOUSAND DOLLARS ($325,000.00)** or such lesser amount as shall equal the outstanding principal amount hereof, together with interest from the date hereof, as provided in this Promissory Note (as the same may be amended, restated, supplemented, or otherwise modified from time to time in accordance with its terms, the "***Note***") on the unpaid principal balance at a rate equal to 6.0% simple interest *per annum*, computed on the basis of the actual number of days elapsed and a year of 365 days. All unpaid principal, together with any then unpaid and accrued interest and other amounts payable hereunder, shall be due and payable on the earliest to occur of the following: (i) September 30, 2025 (the "***Maturity Date***"); (ii) the consummation of a Corporate Event (as defined below); or (iii) when, upon or after the occurrence of an Event of Default (as defined below), such amounts are declared due and payable by the Holder or made automatically due and payable in accordance with the terms hereof.

The following is a statement of the rights of the Holder and the conditions to which this Note is subject, and to which the Holder, by the acceptance of this Note, agrees:

1. ***Definitions***. As used in this Note, the following capitalized terms have the following meanings:

(a) "***Corporate Event***" shall be deemed to have occurred (i) if the Company merges, consolidates or reorganizes with and into one or more entities, corporate or otherwise, as a result of which the holders of the shares of the Company's capital stock entitled to vote for the election of directors immediately prior to such event do not hold at least 50% of the shares of capital stock entitled to vote for the election of directors immediately after such event or (ii) if the Company sells all or substantially all of its assets.

(b) "***Obligations***" shall mean and include all loans, advances, debts, liabilities and obligations, howsoever arising, owed by the Company to the Holder of every kind and description (whether or not evidenced by any note or instrument and whether or not for the payment of money), now existing or hereafter arising under or pursuant to the terms of this Note, including, all interest, fees, charges, expenses, reasonable and documented attorneys' fees and costs and reasonable and documented accountants' fees and costs chargeable to and payable by the Company hereunder and thereunder, in each case, whether direct or indirect, absolute or contingent, due or to become due, and whether or not arising after the commencement of a proceeding under Title 11 of the United States Code (11 U.S.C. Section 101 *et seq*.), as amended from time to time (including post-petition interest) and whether or not allowed or allowable as a claim in any such proceeding.

2. ***Repayment and Prepayment.***

(a) On the Maturity Date (or earlier as provided for herein), the Company shall repay, in cash, one hundred percent (100%) of the principal and interest due on this Note outstanding as of the date of repayment. So long as no Event of Default has occurred, such repayment shall satisfy the Company's obligations pursuant to this Note in full, and this Note shall be of no further force and effect.

(b) Upon two (2) days' prior written notice, the Company may prepay this Note, without penalty, in whole or in part without the consent of the Holder. All payments of interest and principal shall be in lawful money of the United States of America. All payments shall be applied first to accrued interest, and thereafter to principal.

(c) At any time while this Note shall be outstanding, upon the consummation of a future debt, equity, or equity-linked financing, including from the Common Stock Purchase Agreement dated as of July 26, 2024, by the Company (a "Financing"), the Holder shall have the option to require the Company to redeem the outstanding balance of this Note, not to exceed a maximum redemption of fifty percent (50%) of the funds raised, together with all accrued interest thereon, from the gross proceeds of such Financing. For the avoidance of doubt, the Holder shall not have the option to require the Company to redeem the outstanding balance of this Note if the Holder of the Convertible Note issued by the Company dated July 24, 2025 has submitted to the Company a Subsequent Placement Redemption Notice.

3. ***Events of Default***. The occurrence of any of the following shall constitute an "***Event of Default***" under this Note:

(a) The Company fails to pay timely any of the principal amount due under this Note on the date the same becomes due and payable or any accrued interest or other amounts due under this Note on the date the same becomes due and payable;

(b) The Company files any petition or action for relief under any bankruptcy, reorganization, insolvency or moratorium law or any other law for the relief of, or relating to, debtors, now or hereafter in effect, or makes any assignment for the benefit of creditors or takes any corporate action in furtherance of any of the foregoing;

(c) An involuntary petition is filed against the Company (unless such petition is dismissed or discharged within forty-five (45) days) under any bankruptcy statute now or hereafter in effect, or a custodian, receiver, trustee, assignee for the benefit of creditors (or other similar official) is appointed to take possession, custody or control of any property of the Company;

(d) Any provision of this Note shall at any time for any reason (other than pursuant to the express terms hereof) cease to be valid and binding on or enforceable against the parties hereto, or the validity or enforceability hereof shall be contested by any party hereto, or a proceeding shall be commenced by the Company or any governmental authority having jurisdiction over it, seeking to establish the invalidity or unenforceability hereof, or the Company shall deny in writing that it has any liability or Obligation purported to be created hereunder;

(e) The Company and/or any subsidiary, individually or in the aggregate, either (i) fails to pay, when due, any payment with respect to any indebtedness in excess of $150,000 due to any third party (other than, with respect to unsecured indebtedness only, payments contested by the Company and/or such subsidiary (as the case may be) in good faith by proper proceedings and with respect to which adequate reserves have been set aside for the payment thereof in accordance with U.S. generally accepted accounting principles (GAAP) or is otherwise in breach or violation of any agreement for monies owed or owing in an amount in excess of $150,000, which failure to pay, breach or violation permits the other party thereto to declare an event of default or otherwise accelerate amounts due thereunder, or (ii) suffer to exist any other circumstance or event that would, with or without the passage of time or the giving of notice, result in an event of default under any agreement binding the Company or any subsidiary, and which event of default would or is likely to have a material adverse effect on the business, assets, operations (including results thereof), liabilities, properties, condition (including financial condition) or prospects of the Company or any of its subsidiaries, individually or in the aggregate, in which case indebtedness , only if such failure remains uncured for a period of at least five (5) business days; or

(f) any Event of Default occurs with respect to any other notes held by the Holder and issued to the Company.

4. ***Notice of Events of Default.*** As soon as possible and in any event within five (5) business days after it becomes aware that an Event of Default has occurred, the Company shall notify the Holder in writing of the nature and extent of such Event of Default and the action, if any, it has taken or proposes to take with respect to such Event of Default.

5. ***Rights of the Holder upon Default***. Upon the occurrence or existence of any Event of Default described in Sections 3(a), 3(e) and 3(f) at any time thereafter during the continuance of such Event of Default, the Holder may, by written notice to the Company, declare all outstanding Obligations payable by the Company hereunder to be immediately due and payable without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived. Upon the occurrence or existence of any Event of Default described in Sections 3(b) through 3(d), immediately and without notice, all outstanding Obligations payable by the Company hereunder shall automatically become immediately due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived. In addition to the foregoing remedies, upon the occurrence or existence of any Event of Default, the Holder may exercise any other right, power or remedy permitted to it by law, either by suit in equity or by action at law, or both.

6. ***Successors and Assigns***. Subject to the restrictions on transfer described in Sections 9 and 10 below and to applicable laws, the rights and Obligations of the Company and the Holder shall be binding upon and benefit the successors, assigns, heirs, administrators and transferees of the parties.

7. ***Waiver and Amendment***. Any provision of this Note may be amended, waived or modified only with the written consent of the Company and the Holder.

8. ***Headings.*** The headings of the various Sections and subsections herein are for reference only and shall not define, modify, expand, or limit any of the terms or provisions hereof.

9. ***Transfer of this Note***. This Note and any of the rights granted hereunder are freely transferable or assignable by the Holder, in whole or in part, in its sole discretion; provided that the Holder provides five (5) business day's written notice thereof to the Company.

10. ***Assignment by the Company***. Neither this Note nor any of the rights, interests or Obligations hereunder may be assigned, by operation of law or otherwise, in whole or in part, by the Company without the prior written consent of the Holder; provided that this Note and the rights, interests and Obligations hereunder may be assigned, in whole or in part, by the Company in connection with a Corporate Event or other similar transaction of the Company.

11. ***No Stockholder Rights***. This Note shall not entitle the Holder to any voting rights or any other rights as a shareholder of the Company or to any other rights except the rights stated herein.

12. ***Notices***. Any and all notices, service of process or other communications or deliveries required or permitted to be given or made pursuant to any of the provisions of this Note shall be deemed to have been duly given or made for all purposes when hand delivered or sent by certified or registered mail, return receipt requested and postage prepaid, overnight mail or courier as follows:

If to the Holder, at:

3i, LP
2 Wooster Street, 2nd Floor
New York, NY 10013
Attn: Maier Tarlow, Manager

Or such other address as may be given to the Company from time to time

If to the Company, at:

Channel Therapeutics Corporation
4400 Route 9 South, Suite 1000
Freehold, NJ 07728
Attn: Francis Knuettel II, CFO

Or such other address as may be given to the Holder from time to time

13. ***Waivers***. Except for the notices required by this Note, the Company hereby waives notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor and all other notices or demands relative to this Note.

14. ***Expenses***. In the event of any Event of Default hereunder, the Company shall pay all reasonable attorneys' fees and court costs incurred by the Holder in enforcing and collecting this Note.

15. ***Usury***. This Note is hereby expressly limited so that in no event whatsoever, whether by reason of acceleration of maturity of the loan evidenced hereby or otherwise, shall the amount paid or agreed to be paid to the Holder hereunder for the loan, use, forbearance or detention of money exceed that permissible under applicable law. If at any time the performance of any provision of this Note or of any other agreement or instrument entered into in connection with this Note involves a payment exceeding the limit of the interest that may be validly charged for the loan, use, forbearance or detention of money under applicable law, then automatically and retroactively, ipso facto, the obligation to be performed shall be reduced to such limit, it being the specific intent of the Company and the Holder that all payments under this Note are to be credited first to interest as permitted by law, but not in excess of (i) the agreed rate of interest set forth herein or therein or (ii) that permitted by law, whichever is the lesser, and the balance toward the reduction of principal. The provision of this Section 15 shall never be superseded or waived and shall control every other provision of this Note and all other agreements and instruments between the Company and the Holder entered into in connection with this Note. To the extent permitted by applicable law, the Company waives any right to assert the defense of usury.

16. ***Severability***. If any term or provision of this Note is invalid, illegal, or unenforceable in any jurisdiction, such invalidity, illegality, or unenforceability shall not affect any other term or provision of this Note or invalidate or render unenforceable such term or provision in any other jurisdiction.

17. ***Governing Law; Waiver of Jury Trial***. This Note and the provisions hereof are to be construed according to and are governed by the laws of the State of Delaware, without regard to principles of conflicts of laws thereof. The Company agrees that the New York State Supreme Court located in the County of New York, State of New York shall have exclusive jurisdiction in connection with any dispute concerning or arising out of this Note or otherwise relating to the parties' relationship. In any action, lawsuit or proceeding brought to enforce or interpret the provisions of this Note and/or arising out of or relating to any dispute between the parties, the Holder shall be entitled to recover all of its costs and expenses relating collection and enforcement of this Note (including without limitation, reasonable attorney's fees and disbursements) in addition to any other relief to which the Holder may be entitled and all costs of collection, including any reasonable and documented legal fees associated with this Note will be paid by the Company. Each party agrees that any process or notice to be served or delivered in connection with any action, lawsuit or proceeding brought hereunder may be accomplished in accordance with the notice provisions set forth above or as otherwise provided by applicable law.

[*Remainder of page intentionally left blank; signature page follows.*]

IN WITNESS WHEREOF, the Company has caused this Note to be issued as of the date first written above.

Channel Therapeutics Corporation,
a Nevada corporation

By: /s/ Francis Knuettel
Name: Francis Knuettel II
Title: CEO

Exhibit 10.11

FIRST AMENDMENT TO
PROMISSORY NOTE

This First Amendment to Promissory Note (this "***Amendment***") dated as of May 12, 2025 (the "***Effective Date***") is entered into by and between Channel Therapeutics Corporation, a Nevada corporation (the "***Company***"), and 3i, L.P., a Delaware limited partnership (the "***Holder***").

RECITALS

A. On February 25, 2025, the Company issued to Holder an unsecured promissory note (the "***Original Note***"), in an aggregate principal amount of $325,000.

B. The Holder and the Company desire to amend the Original Note pursuant to and in accordance with the terms set forth herein.

C. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Original Note.

AGREEMENT

NOW THEREFORE, in consideration of the foregoing, and the covenants and agreements herein contained, and for other good and valuable consideration, the mutual receipt and legal sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Amendment. The preamble of the Original Note is hereby deleted in its entirety and replace by the following:

"**FOR VALUE RECEIVED**, Channel Therapeutics Corporation, a Nevada corporation (the "***Company***"), promises to pay to 3i, L.P., a Delaware limited partnership (the "***Holder***"), or its registered assigns, in lawful money of the United States of America, the principal sum of **THREE HUNDRED TWENTY-FIVE THOUSAND DOLLARS ($325,000.00)** or such lesser amount as shall equal the outstanding principal amount hereof, together with interest from the date hereof, as provided in this Promissory Note (as the same may be amended, restated, supplemented, or otherwise modified from time to time in accordance with its terms, the "***Note***") on the unpaid principal balance at a rate equal to 6.0% simple interest *per annum*, computed on the basis of the actual number of days elapsed and a year of 365 days. All unpaid principal, together with any then unpaid and accrued interest and other amounts payable hereunder, shall be due and payable on the earliest to occur of the following: (i) September 30, 2025 (the "***Maturity Date***"); (ii) the consummation of a Corporate Event (as defined below); or (iii) when, upon or after the occurrence of an Event of Default (as defined below), such amounts are declared due and payable by the Holder or made automatically due and payable in accordance with the terms hereof."

2. Miscellaneous.

(a) Waivers and Amendments. Any provision of this Amendment may be amended, waived or modified only upon the written consent of the Company and the Holder.

(b) Entire Agreement. This Amendment together with the Original Note constitutes the entire agreement of the Company and the Holder with respect to the subject matter hereof and supersedes all prior agreements and undertakings, both written and oral, between the Company and Holder with respect to the subject matter hereof. Except as amended by this Amendment, the Original Note shall continue in full force and effect.

(c) Counterparts. This Amendment may be executed in one or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same agreement. Facsimile copies of signed signature pages will be deemed binding originals.

[*Remainder of page intentionally left blank; signature page follows.*]

IN WITNESS WHEREOF, the parties have caused this Amendment to be duly executed and delivered by their proper and duly authorized officers as of the date first written above.

COMPANY:

Channel Therapeutics Corporation,
a Nevada corporation

By: /s/ Francis Knuettel
Name: Francis Knuettel II
Title: CEO

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the date and year first written above.

HOLDER:

3i, L.P.,
a Delaware limited partnership

By: /s/ Maier Tarlow
Name: Maier Tarlow
Title: Manager On Behalf of the GP

EXHIBIT 31.1

CERTIFICATIONS
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Francis Knuettel II, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chromocell Therapeutics Corporation;

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

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

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

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

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

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

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

5. 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: May 13, 2025

/s/ Francis Knuettel II
Francis Knuettel II
Chief Executive Officer and Chief Financial Officer
(Principal Executive Officer and Principal Financial 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 on Form 10-Q of Chromocell Therapeutics Corporation (the "Company") for the quarter ended March 31, 2025 (the "Report"), I, Francis Knuettel II, Chief Executive Officer and Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: May 13, 2025

/s/ Francis Knuettel II

Name: Francis Knuettel II
Title: Chief Executive Officer and Chief Financial Officer
(Principal Executive Officer and Principal Financial Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement 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.