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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Date of Report (Date of earliest event reported): **April 1, 2020**

SONNET BIOTHERAPEUTICS HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation)

001-35570

(Commission
File Number)

20-2932652

(IRS Employer
Identification No.)

**100 Overlook Center, Suite 102
Princeton, New Jersey 08540**

(Address of principal executive offices)

Registrant's telephone number, including area code: **(609) 375-2227**

**Chanticleer Holdings, Inc.
7621 Little Avenue, Suite 414
Charlotte, North Carolina 28226**

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.0001 Par Value	SONN	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 1.01 Entry into a Material Definitive Agreement.

The information set forth under Item 2.01 of this Current Report on Form 8-K with respect to the GEM Agreement (as defined in Item 2.01 of this report) is incorporated by reference into this Item 1.01.

Item 2.01 Completion of Acquisition or Disposition of Assets.*Completion of Merger*

On April 1, 2020, Sonnet BioTherapeutics Holdings, Inc., formerly known as Chanticleer Holdings, Inc. (the “Company”), completed its business combination with Sonnet BioTherapeutics, Inc., a New Jersey corporation (“Sonnet Sub”), in accordance with the terms of the Agreement and Plan of Merger, dated as of October 10, 2019 (the “Merger Agreement”), by and among the Company, Sonnet Sub and Biosub, Inc., a Delaware corporation and wholly-owned subsidiary of the Company (“Merger Sub”), as amended by Amendment No. 1 thereto made and entered into as of February 7, 2020 (the “First Amendment”) (the Merger Agreement, as amended by the First Amendment, the “Amended Merger Agreement”), pursuant to which Merger Sub merged with and into Sonnet Sub, with Sonnet Sub surviving as a wholly-owned subsidiary of the Company (the “Merger”). In connection with, and immediately prior to the completion of, the Merger, the Company effected a reverse stock split of the Company’s common stock, par value \$0.0001 per share (the “Common Stock”), at a ratio of 1-for-26 (the “Reverse Stock Split”). Immediately after completion of the Merger, the Company changed its name to “Sonnet BioTherapeutics Holdings, Inc.,” focused on advancing Sonnet Sub’s pipeline of oncology candidates and the strategic expansion of Sonnet Sub’s technology platform into other human diseases. Additionally, as part of the transaction, on April 1, 2020, the Company spun-off its restaurant operations into a newly-created wholly-owned subsidiary, Amergent Hospitality Group, Inc. (the “Spin-Off Entity” or “Amergent”), the equity of which was distributed out to the stockholders of the Company as of the close of business on March 26, 2020.

Under the terms of the Amended Merger Agreement, the Company issued shares of Common Stock to Sonnet Sub's stockholders. The Company also assumed all outstanding and unexercised warrants to purchase shares of Sonnet Sub's common stock, and in connection with the Merger they were converted into warrants (the "Converted Warrants") to purchase Common Stock, with the number of shares subject to such warrants, and the exercise price, being appropriately adjusted to reflect the Exchange Ratio (as defined below). As a result, immediately following the Merger, there were outstanding Converted Warrants to purchase an aggregate of approximately 106,000 shares of Common Stock, all with terms of three years from their respective dates of issuance, between October 2019 and February 2020, and with an exercise price of \$29.32 per share.

Immediately after the Merger, there were approximately 9.2 million shares of Common Stock outstanding (including 1.1 million Converted Additional Shares (as defined in Item 8.01 of this report) being held in escrow). Under the terms of the Merger Agreement, the former stockholders and warrant holders of Sonnet Sub (including the Investors, as defined in Item 8.01 of this report) owned, or held rights to acquire, in the aggregate approximately 92% of the fully-diluted Common Stock, which for these purposes is defined as the outstanding Common Stock, plus outstanding warrants of the Company (the "Fully-Diluted Common Stock"), with the Company's stockholders and warrant holders immediately prior to the Merger owning, or holding rights to acquire, approximately 6% of the Fully-Diluted Common Stock, and at the closing of the Merger, the Company issued to the Spin-Off Entity a warrant (the "Spin-Off Entity Warrant") to purchase 186,161 shares of Common Stock, which is approximately 2% of the number of shares of issued and outstanding Common Stock immediately after the effective time of the Merger (the "Effective Time"). The number of shares of Common Stock issued to Sonnet Sub's stockholders for each share of Sonnet Sub's common stock outstanding immediately prior to the Merger (or becoming issuable under a Converted Warrant) was calculated using an exchange ratio (the "Exchange Ratio") of approximately 0.106572 shares of Common Stock for each share of Sonnet Sub common stock. The Exchange Ratio was derived by dividing the Fully-Diluted Common Stock of the Company of approximately 571,000 (post-split) immediately prior to the Merger by the 6% Company allocation set forth above, multiplying such quotient by the 92% Sonnet Sub allocation, and then dividing the result by the Fully-Diluted Common Stock of Sonnet Sub of approximately 82.2 million immediately prior to the Merger (which amount includes the Sonnet Sub common stock issued in the Pre-Merger Financing (as defined in Item 8.01 of this report) and to Relief Holding (as defined below), in each case prior to the Merger).

The Spin-Off Entity Warrant is a five-year warrant, has an exercise price of \$0.01 per share and is not exercisable for 180 days following the Effective Time. The shares of Common Stock issued to the former stockholders of Sonnet Sub (including the Investors), and the shares of Common Stock issuable upon the exercise of Converted Warrants, were registered with the Securities and Exchange Commission (the "SEC") on a Registration Statement on Form S-4 (Reg. No. 333-235301), as amended (the "Registration Statement").

The Common Stock listed on the Nasdaq Capital Market, previously trading through the close of business on April 1, 2020 under the ticker symbol "BURG," commenced trading on the Nasdaq Capital Market, on a post-Reverse Stock Split basis, under the ticker symbol "SONN" on April 2, 2020. The Common Stock has a new CUSIP number, 83548R105.

The foregoing description of the Amended Merger Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Merger Agreement that was filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on October 11, 2019 and the full text of the First Amendment that was filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on February 7, 2020, each of which is incorporated herein by reference.

The foregoing description of the Converted Warrants does not purport to be complete and is qualified in its entirety by reference to the complete text of the Form of Converted Warrant, which will be filed as an exhibit with the Company's quarterly report on Form 10-Q for the quarter ending March 31, 2020.

Closing of Relief Transaction

In connection with and prior to the Merger and as previously announced, on April 1, 2020, Sonnet Sub completed its acquisition of the global development rights for Atexakin Alfa (low dose formulation of Interleukin-6, IL-6, now "SON-080") from Relief Therapeutics Holding SA ("Relief Holding") through its acquisition of Relief Holding's wholly-owned subsidiary, Relief Therapeutics SA ("Relief"), in exchange for the issuance to Relief Holding of shares of Sonnet Sub common stock that converted into an aggregate of 757,933 shares of Common Stock in the Merger.

Spin-Off of Restaurant Operations

In connection with the Merger, on April 1, 2020, the Company completed the spin-off through the contribution and transfer (the "Contribution") to Amergent of all of the assets and liabilities relating to the Company's restaurant business conducted prior to the Merger. Previously, on March 16, 2020, the Company's Board of Directors (the "Board") declared a dividend with respect to the shares of Common Stock outstanding at the close of business on March 26, 2020 of one share of the Amergent common stock for each outstanding share of Common Stock. Such dividend, which together with the Contribution is referred to as the "Spin-Off," was paid on April 1, 2020.

GEM Agreement

In connection with the Merger, the Company assumed the rights and obligations under the GEM Agreement (as defined below).

Sonnet Sub (as defined below) entered into a Common Stock Purchase Agreement with GEM Global Yield Fund LLC SCS (“GEM”) on August 6, 2019 (the “Purchase Agreement”). The Purchase Agreement was amended on September 25, 2019 by an Amendment to Common Stock Purchase Agreement (the “2019 GEM Amendment”), and subsequently amended again on February 7, 2020 (the “2020 GEM Amendment” and, together with the Purchase Agreement and the 2019 GEM Amendment, the “GEM Agreement”). Pursuant to the GEM Agreement, GEM has agreed to purchase up to \$20,000,000 (the “Aggregate Limit”) of the Company’s common stock, par value \$0.0001 per share (the “Common Stock”) over a three-year period commencing on the date the Purchase Agreement was executed (the “Investment Period”); provided that during any period when the Company’s public float is less than \$75,000,000, the Aggregate Limit will instead be equal to one-third of the amount of the Company’s public float over any consecutive 12-month period. Under the GEM Agreement, during the Investment Period, the Company may, by delivering a Draw Down Notice (as defined in the GEM Agreement) direct GEM to purchase shares of Common Stock in an amount up to 400% of the average daily trading volume for the ten (10) trading days immediately preceding the date the Draw Down Notice is delivered. GEM is not obligated to purchase any shares Common Stock which would result in GEM beneficially owning, directly or indirectly, at the time of the proposed issuance, more than 4.99% of the shares of Common Stock issued and outstanding. GEM will pay a purchase price per share equal to 90% of the average market closing price of the Common Stock during the ten consecutive trading days commencing with the first trading day on which a Draw Down Notice is delivered (the “Draw Down Pricing Period”).

GEM represented to the Company, among other things, that it was an “accredited investor” (as such term is defined in Rule 501(a) of Regulation D under the Securities Act), and the Company will rely upon an exemption from registration contained in Section 4(a)(2) of the Securities Act and Regulation D promulgated thereunder when issuing shares of Common Stock under the GEM Agreement. The Company has agreed to file a Registration Statement with the Securities and Exchange Commission (the “SEC”) to register the shares of Common Stock to be issued to GEM pursuant to the GEM Agreement. The GEM Agreement contains customary representations, warranties, agreements and conditions to completing future sale transactions, indemnification rights and obligations of the parties. The Company has the right to terminate the GEM Agreement at any time, at no cost or penalty. Unless the Company informs GEM of an event resulting in a Materially Adverse Effect or Material Change in Ownership (all defined in the GEM Agreement) GEM does not have the right to terminate the GEM Agreement.

The foregoing descriptions of the Purchase Agreement, the 2019 GEM Amendment and the 2020 GEM Amendment do not purport to be complete and are qualified in their entirety by reference to the complete text of the Purchase Agreement, the 2019 GEM Amendment and the 2020 GEM Amendment, respectively, which are filed herewith as Exhibits 10.1, 10.2 and 10.3, respectively, and incorporated herein by reference.

Item 3.02 Unregistered Sales of Equity Securities

The information set forth under “*Completion of Merger*” in Item 2.01 of this Current Report on Form 8-K with respect to the Spin-Off Entity Warrant is incorporated by reference into this Item 3.02.

The Spin-Off Entity Warrant has not been registered under the Securities Act of 1933, as amended (the “Securities Act”), and is instead being issued pursuant to the exemption provided in Section 4(a)(2) under the Securities Act and Rule 506(b) promulgated thereunder.

The foregoing description of the Spin-Off Entity Warrant does not purport to be complete and is qualified in its entirety by reference to the complete text of the Spin-Off Entity Warrant, which is filed herewith as Exhibit 4.1, and incorporated herein by reference.

Item 3.03 Material Modification to Rights of Security Holders

As previously disclosed, at a special meeting of the Company’s stockholders held on March 18, 2020 (the “Special Meeting”), in addition to approving the issuance of Common Stock pursuant to the Merger, the Company’s stockholders approved an amendment to the Company’s certificate of incorporation (the “Certificate of Incorporation”) to effect the Reverse Stock Split and approved an amendment to the Certificate of Incorporation to increase the total number of authorized shares of Common Stock to 125,000,000 shares (the “Authorized Share Increase”).

In addition, the Company’s Board of Directors (the “Board”) authorized an amendment to the Certificate of Incorporation to change the corporate name of the Company from “Chanticleer Holdings, Inc.” to “Sonnet BioTherapeutics Holdings, Inc.” (the “Name Change”).

Reverse Stock Split

On April 1, 2020, immediately prior to the Merger, the Company filed an amendment to the Certificate of Incorporation with the Secretary of State of the State of Delaware to effect the Reverse Stock Split. As of the opening of the Nasdaq Capital Market on April 2, 2020, the Common Stock began trading on a Reverse Stock Split-adjusted basis. All share numbers in this Form 8-K have been adjusted to reflect the Reverse Stock Split. As a result of the Reverse Stock Split, the number of issued and outstanding shares of Common Stock immediately prior to the Reverse Stock Split was reduced into a smaller number of shares, such that every 26 shares of Common Stock held by a stockholder of the Company immediately prior to the Reverse Stock Split were combined and reclassified into one share of Common Stock after the Reverse Stock Split. All outstanding and unexercised warrants to purchase shares of Common Stock otherwise remain in effect pursuant to their terms, subject to adjustment to account for the Reverse Stock Split. Immediately following the Reverse Stock Split, there were approximately 549,000 shares of Common Stock outstanding prior to the Merger. No fractional shares were issued in connection with the Reverse Stock Split. Stockholders who otherwise would be entitled to receive fractional shares instead are entitled to receive cash in lieu of their fractional shares.

The Reverse Stock Split had no effect on the par value of the Common Stock, or the rights and privileges of the holders of Common Stock or preferred stock, and did not affect any stockholder’s percentage ownership interest in the Company, except to the extent that it resulted in any stockholders owning a fractional share. As approved by the Company’s stockholders, the Reverse Stock Split made no corresponding adjustment with respect to the Company’s authorized capital stock.

The foregoing description of the Reverse Stock Split does not purport to be complete and is qualified in its entirety by reference to the complete text of the amendment to the Certificate of Incorporation that effected the Reverse Stock Split, which is filed herewith as Exhibit 3.1, and incorporated herein by reference.

Authorized Share Increase

On April 1, 2020, immediately prior to the Merger, the Company filed an amendment to the Certificate of Incorporation with the Secretary of State of the State of Delaware to effect the Authorized Share Increase.

The Authorized Share Increase has no immediate dilutive effect on the proportionate voting power or other rights of the Company’s existing stockholders. The Board has no current plan to issue shares from the additional authorized shares provided by the Authorized Share Increase, other than pursuant to the GEM Agreement, pursuant to outstanding securities exercisable or convertible into Common Stock or pursuant to the Pre-Merger Financing (as defined below). However, any future issuance of additional authorized shares of Common Stock may, among other things, dilute the earnings per share of the Common Stock and the equity and voting rights of those holding Common Stock at the time the additional shares are issued. Additionally, this potential dilutive effect may cause a reduction in the market price of the Common Stock.

The foregoing description of the Authorized Share Increase does not purport to be complete and is qualified in its entirety by reference to the complete text of the amendment to the Certificate of Incorporation that effected the Authorized Share Increase, which is filed herewith as Exhibit 3.2, and incorporated herein by reference.

Name Change

On April 1, 2020, in connection with the Merger, the Company filed an amendment to the Certificate of Incorporation with the Secretary of State of the State of Delaware to effect the Name Change, which changed the Company's name from "Chanticleer Holdings, Inc." to "Sonnet BioTherapeutics Holdings, Inc." The Name Change did not alter the voting powers or relative rights of the Common Stock.

On April 2, 2020, the trading symbol on the Nasdaq Capital Market for the Common Stock was changed from "BURG" to "SONN" solely to reflect the Name Change.

The foregoing description of the Name Change does not purport to be complete and is qualified in its entirety by reference to the complete text of the amendment to the Certificate of Incorporation that effected the Name Change, which is filed herewith as Exhibit 3.3, and incorporated herein by reference.

Item 5.01 Changes in Control of Registrant

The information set forth under "*Completion of Merger*" in Item 2.01 of this Current Report on Form 8-K is incorporated by reference into this Item 5.01.

In accordance with the Amended Merger Agreement, on April 1, 2020, at the Effective Time, each of the directors of the Company resigned from the Board. Following such resignations and effective as of the Effective Time, the following individuals, all of whom were directors of Sonnet Sub prior to the Merger, were appointed to the Board: Pankaj Mohan Ph.D. (chairman), Albert Dyrness, Nailesh Bhatt, Raghu Rao and Donald Griffith, CPA, whose terms expire at the Company's next annual meeting of stockholders.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Resignations of Executive Officers and Directors

In accordance with the Amended Merger Agreement, on April 1, 2020, at the Effective Time, (i) Michael D. Pruitt resigned as Chief Executive Officer, Fredrick L. Glick resigned as President and Patrick Harkleroad resigned as Chief Financial Officer, and (ii) Michael D. Pruitt, Keith J. Johnson, Neil G. Kiefer, Russell J. Page, Frederick L. Glick and J. Eric Wagoner resigned from the Board and any respective committee of the Board to which they belonged, which resignations were not the result of any disagreements with the Company relating to the Company's operations, policies or practices.

Appointment of Certain Officers

In accordance with the Amended Merger Agreement, on April 1, 2020, the Board appointed the following officers of the Company, effective at the Effective Time: Pankaj Mohan, Ph.D., as Chairman, President and Chief Executive Officer, John H. Cross III as Chief Financial Officer, Treasurer and Secretary, John K. Cini, Ph.D. as Chief Scientific Officer, Terence Rugg, M.D. as Chief Medical Officer and Susan Dexter as Chief Technical Officer.

Pankaj Mohan, Ph.D. (55) is the Company's Chairman, President and Chief Executive Officer. Dr. Mohan founded Sonnet Sub in 2015 and has since served as a member of its board of directors. Dr. Mohan became the Chairman in June of 2018 and the Chief Executive Officer in January of 2019. From January 2011 to June 2018, he served as the President, Chief Executive Officer and Chairman of Oncobiologics, Inc. (Now Outlook Therapeutics, Inc. Nasdaq: OTLK), a Company that he founded in 2011. Previously, Dr. Mohan served as head of Business Operations and Portfolio Management of Biologics Process and Product Development at Bristol-Myers Squibb Company and as a Director of Bioprocess Engineering at Genentech, Inc. Prior to that, Dr. Mohan served as a senior manager at Eli Lilly and Company. From May 1993 to April 1996, Dr. Mohan served as Assistant Professor (Lecturer/Fellow) at the Advanced Centre for Biochemical Engineering, University College London, London, United Kingdom. Dr. Mohan received a Ph.D. in Biochemical Engineering from the School of Chemical Engineering, University of Birmingham, Birmingham, United Kingdom, a masters in Financial Management from Middlesex University Business School, London, United Kingdom, an Executive Management Program (AMP) from Fuqua School of Business at Duke University and a Bachelor of Chemical Engineering from the Indian Institute of Technology in Roorkee, India. He is also an author of an industry reference book on bioprocess operations (McGraw Hill).

John H. Cross III (49) joined Sonnet Sub in May 2019 and has since served as its Chief Financial Officer and Chief Business Officer. Prior to Sonnet Sub, Mr. Cross was a Managing Director with Chardan Capital's healthcare investment banking team from November 2015 to March 2019, where he focused on biopharmaceuticals. Prior to that, from May 2014 to June 2015, Mr. Cross served as a Director with Alere Financial Partners and from May 2011 to October 2013 as a Senior Analyst at Balyasny Asset Management. He launched his career in finance in 1999 as an associate analyst covering biotechnology on the healthcare equity research team at Hambrecht & Quist. Mr. Cross earned an M.P.H. from the Yale University School of Medicine and a B.S. in psychology from Washington & Lee University.

John K. Cini, Ph.D. (67) co-founded Sonnet Sub in 2015 and has since served as its Chief Scientific Officer, where he oversees and directs the company's discovery and development programs. His role includes the oversight of the selection process of cancer and immune oncology targets and proof-of-concept testing. Prior to joining Sonnet Sub, he was Vice President of Discovery and Development Sciences at Oncobiologics, Inc. from January 2011 to April 2015. He has successfully advanced more than 20 novel monoclonal antibody products from discovery to IND. He is the holder of several novel product and formulation patents and applications. He has been directly involved in several successful novel biologics through early discovery research into development and manufacturing through clinical trials and commercialization. Previous positions include Executive Director at Mederex (acquired by Bristol-Myers Squibb in 2010), lead discovery scientific roles at Johnson & Johnson (Ethicon, OrthoBioTech & Pharmaceutical Research), and Bayer. Dr. Cini's therapeutic areas of expertise in system biology include oncology, immune oncology, inflammation, osteoporosis, wound healing, surgical adhesion and cellular aging. Dr. Cini has a PhD in Biochemistry from University of North Texas.

Terence Rugg, MBChB, MMed(RT)(Natal) FFRad(T)(SA) (60) has served as Sonnet Sub's Chief Medical Officer, in a part-time consulting role, since October 2018. He is an internationally respected oncologist with over 30 years' experience in the development of oncology drugs at both large and small pharma companies and has been involved in the development of more than 30 compounds including at least 12 different classes of anti-cancer drugs. Prior to joining Sonnet Sub, Dr. Rugg served as Vice President, BioOncology Medical Affairs at Genentech from September 2009 to March 2014. Prior to Genentech, he was Chief Medical Officer and VP-Development for SGX Pharmaceuticals from August 2006 to October 2008, Vice President and Head of US Oncology/Medical Affairs for Sanofi-Aventis from 2004 to 2006, and prior to the Sanofi acquisition of Aventis, he served as Head of Oncology, Global Medical Affairs at Aventis from 2002 to 2004. He has also held various positions at Eli Lilly and Company, Zeneca Pharmaceuticals, Ilex Oncology and British Biotech. In recent years, he has served as an independent consultant to the pharmaceutical industry. Dr. Rugg earned his medical degree from Godfrey Huggins School of Medicine from the University of Rhodesia. He is a Licentiate of the Royal Colleges of Medicine and Surgery, of Edinburgh and Glasgow and earned a Master of Medicine in Clinical Oncology and Radiotherapy at the University of Natal, South Africa. Finally, he has been admitted as a Fellow of the Faculty of Radiation Therapy of the College of Medicine of South Africa.

Susan Dexter (64) has served as Sonnet Sub's Chief Technical Officer since May 2019, as a contract consultant. On April 1, 2020, she became a full-time employee of the Company upon the closing of the Merger. She comes to the Company with more than twenty-five years in biotechnology science, manufacturing and business development having been directly involved in three start-up companies, and multiple M&A activities. Her expertise in CMC for biologics process development ranges from cell line development, process development through commercial manufacturing. In her role as Managing Director at Latham Biopharm Group from September 2008 to present, Susan runs the Product Development service offering, managing the activities and disciplines related to pre-animal toxicology, pre-clinical tox study and CMC-related activities including IND filings, Quality oversight of cGMP activities and other related CMC supply chain activities. She came to LBG from Xcellerex, Inc., a CDMO and developer of single use technology for bioprocessing. She was Chief Business Officer at Xcellerex from April 2004 to September 2008. Prior to Xcellerex, from July 1998 to April 2004, she was VP of Business Development at The Dow Chemical Company's CDMO, an acquisition of Collaborative BioAlliance, facilitated by Susan in 2000; and Assoc. Director of Business Development, at Celltech Biologics, purchased by Lonza Biologics, a biologics CDMO. She was at Celltech/Lonza from 1986 to July 1998. Ms. Dexter holds a double major with Honors in Immunology and Marketing from American University, Washington, D.C., and certifications from Harvard University in 'Negotiations for Lawyers' and 'Finance for Non-financial Managers'. She was also Professor Emeritus at University College, London, Department of Bioengineering, teaching a credited course lecture and workshop in "Project managing biologics facility", to graduate, Ph.D. and post-graduate professionals, from 1999 to 2006.

Appointment of Directors

In accordance with the Amended Merger Agreement, on April 1, 2020, effective at the effective time of the Merger, the following individuals were appointed to the Board as directors, in addition to Dr. Mohan:

Albert Dyrness (57) has served on Sonnet Sub's board of directors since October 2019. Mr. Dyrness is a recognized biopharmaceutical industry expert bio-process engineering with expertise in upstream, downstream, and fill/finish processes. Since July 2019, Mr. Dyrness has been the Managing Director of ADVENT Engineering Services, Inc., a Trinity Consultants Company, which serves as its life-sciences division. In 1988, Mr. Dyrness Co-Founded ADVENT Engineering Services, Inc., an engineering consulting firm serving the energy and life sciences industries. Starting with only 4 employees in the San Francisco Bay Area, ADVENT has grown to a staff of over 130 engineers with offices in Toronto, Canada, Singapore, Raleigh, North Carolina, Portland Oregon, Boston, Massachusetts, Irvine and San Ramon, California. In 2016, Mr. Dyrness became President and Chief Technical Officer of ADVENT and guided the company to a merger with Trinity Consultants, a 700-person engineering consulting firm in 2017. He also served as a member of the board of directors of Oncobiologics, Inc. (Now Outlook Therapeutics, Inc. Nasdaq: OTLK) from December 2015 to September 2017. In 1986, Mr. Dyrness graduated from the Massachusetts Institute of Technology where he studied mechanical engineering and entrepreneurship.

Nailsh Bhatt (47) has served on Sonnet Sub's board of directors since July 2018. Since January 2018, Mr. Bhatt has been the Chief Executive Officer and a Board Member of VGYAAN Pharmaceuticals LLC, a company focused on developing and commercializing clinically critical drugs. Prior to that, Mr. Bhatt Founded Proximare in November 2001 and is its Managing Director. Proximare is a strategic advisory firm focused exclusively on the pharmaceutical industry. He also serves as Board Member of Azurity Pharmaceuticals, Inc. since April 2018. In June 2015, Mr. Bhatt founded Proximare Lifesciences Fund. Mr. Bhatt pursued Bachelor of Arts at Boston University with major in Biology.

Raghu Rao (57) has served on Sonnet Sub's board of directors since November 2019. Mr. Rao is a serial entrepreneur, strategic business advisor and angel investor. Mr. Rao has founded, scaled and had successful exits with several high-technology companies. In his 33-year career, Mr. Rao has advised clients on the strategy and roll-out of high-profile projects, such as USA.gov, TSA Screening Gateway, Cancer.gov and other eGovernment initiatives. As the Vistage Princeton Chair, from July 2012 to March 2017, Mr. Rao ran three high-performing peer advisory boards for middle-market CEOs and business leaders of several companies. As the Chairman & President of InfoZen from August 1995 to July 2008, Mr. Rao managed a high volume of U.S. Federal Government contracts. Mr. Rao is a 20-year Charter Member of The Indus Entrepreneurs (TiE.org) and a 5-year patron of the Indiaspora. He has held board positions at several companies including Cellix BioSciences (Jan 2016 - Jan 2017), Paper Battery Company (Jan 2009 - Dec 2018), Kovid Group (Feb 2016 - Oct 2017), WizNucleus (Jun 2010 - present) and InfoZen (Aug 1995 - Jul 2008). Mr. Rao is active in social entrepreneurship and community service. He co-founded the Hindu Jewish Coalition in December 2012 and Forum for Religious Freedom in March 2007 to preserve religious diversity worldwide. He has held non-profit board positions at the Infinity Foundation (New Jersey), Arsha Vidya Gurukulam (Pennsylvania) and the Family Services Agency (Maryland). Mr. Rao has an MBA in Finance from George Washington University (Dec 1991), an M.S. in Computer Science from Virginia Tech (Dec 1986), and a B.Tech. in Electrical Engineering from Indian Institute of Technology, Madras (June 1984).

Donald Griffith, CPA (71) has served on Sonnet Sub's board of directors since its inception in April 2015, and was Chairman of the Sonnet Sub board from April 2015 to June 2018. Mr. Griffith has served as Sonnet Sub's Financial Controller since January 1, 2019. Prior to being the Financial Controller, he served as Sonnet Sub's Chief Executive Officer and Chief Financial Officer from April 2015 to December 2016. Before that, Mr. Griffith was the Chief Financial Officer, Director and Secretary of Oncobiologics Inc. (Now Outlook Therapeutics Nasdaq: OTLK) from 2011 to 2018. Mr. Griffith has over 40 years' experience in finance and accounting and is the founder and Partner of Stolz & Griffith, LLC, a New Jersey accounting firm.

Board Committees

Effective as of the Effective Time, the Company's audit committee was comprised of Mr. Rao, Mr. Dyrness and Mr. Bhatt (chairman), the Company's compensation committee was comprised of Mr. Rao (chairman) and Mr. Dyrness, and the Company's nominating committee was comprised of Mr. Rao, Mr. Dyrness (chairman) and Mr. Bhatt.

Director Compensation

In connection with the Merger, the Board approved a new director compensation policy for its non-employee directors. Other than reimbursement for reasonable expenses incurred in connection with attending board and committee meetings, this policy provides for the following cash compensation:

- each non-employee director is entitled to receive an annual fee from us of \$35,000;
- the chair of our audit committee will receive an annual fee from us of \$15,000;
- the chair of our compensation committee will receive an annual fee from us of \$10,000;
- the chair of our nominating and corporate governance committee will receive an annual fee from us of \$8,000; and
- each non-chairperson member of the audit committee, the compensation committee and the nominating and corporate governance committee will receive annual fees from us of \$7,500, \$5,000 and \$4,000, respectively.

Each non-employee director that joins the Board receives an initial option grant to purchase 0.080% of the Company's fully-diluted outstanding Common Stock at the Effective Time, which shall vest 33% per year over three years, the first vesting date to occur on the one-year anniversary of the grant date. Each non-employee director also receives an annual option grant to purchase 0.040% of the Company's fully-diluted outstanding Common Stock at the Effective Time, which shall vest 100% upon the earlier of the one-year anniversary of the grant date or the next annual stockholder meeting. Upon a change in control, as defined in the Company's equity incentive plan, 100% of the shares underlying these options shall become vested and exercisable immediately prior to such change in control.

Sonnet Sub entered into an employment agreement with Mr. Griffith on January 1, 2019, setting forth the terms of his employment as Financial Controller. Pursuant to the employment agreement, Mr. Griffith is entitled to, among other things, (i) an annual prorated gross base salary of \$150,000 and (ii) eligibility for a target bonus equal 25% of gross salary earned. The employment agreement has no specific term and constitutes an at-will employment.

Agreements with Certain Executive Officers

Sonnet Sub entered into an employment agreement with Dr. Mohan on December 31, 2018 (the "Mohan Agreement"), setting forth the terms of his employment as Chief Executive Officer, which agreement was assumed by the Company at the Effective Time. Pursuant to the employment agreement, Dr. Mohan is entitled to, among other things, (i) an annual gross base salary of \$490,000 and (ii) eligibility for a bonus equal to 2.5% of gross revenue received by the Company from a strategic transaction. The employment agreement shall terminate in accordance with its terms. Pursuant to Dr. Mohan's employment agreement, if he is terminated without "Cause" or for "Good Reason" within 2 months prior to or within 12 months following a "Change in Control", he is entitled to (i) his base salary for 18 months, (ii) a bonus equal to his performance bonus for the year in which the termination occurs, divided by 12, and then multiplied by 18, and (iii) if he timely continued coverage under COBRA, payment for COBRA premiums necessary to continue coverage until the earliest of (a) 18 months following the termination date, (b) the date he becomes eligible for substantially equivalent health insurance coverage in connection with new employment or self-employment, or (c) the date he becomes ineligible for COBRA continuation coverage. If Dr. Mohan is terminated without "Cause" or for "Good Reason" not coincident with a "Change in Control", he is entitled to (i) his base salary for 18 months, (ii) any performance bonus for the performance year in which his termination occurs, and (iii) if he timely continued coverage under COBRA, payment for COBRA premiums necessary to continue coverage until the earliest of (a) 18 months following the termination date, (b) the date he becomes eligible for substantially equivalent health insurance coverage in connection with new employment or self-employment, or (c) the date he becomes ineligible for COBRA continuation coverage.

Sonnet Sub entered into an employment agreement with Dr. Cini on January 10, 2020 (the "Cini Agreement"), setting forth the terms of his employment as Chief Scientific Officer, which agreement was assumed by the Company at the Effective Time. Pursuant to the employment agreement, Dr. Cini is entitled to, among other things, (i) an annual gross base salary of \$370,000 and (ii) eligibility for a bonus equal to 0.5% of gross revenue received by the Company from a strategic transaction. The employment agreement shall terminate in accordance with its terms. Pursuant to Dr. Cini's employment agreement, if he is terminated without "Cause" or for "Good Reason" within 2 months prior to or within 12 months following a "Change in Control", he is entitled to (i) his base salary for 12 months and (ii) if he timely continued coverage under COBRA, payment for COBRA premiums necessary to continue coverage until the earliest of (a) 18 months following the termination date, (b) the date he becomes eligible for substantially equivalent health insurance coverage in connection with new employment or self-employment, or (c) the date he becomes ineligible for COBRA continuation coverage. If Dr. Cini is terminated without "Cause" or for "Good Reason" not coincident with a "Change in Control", he is entitled to (i) his base salary for 9 months and (ii) if he timely continued coverage under COBRA, payment for COBRA premiums necessary to continue coverage until the earliest of (a) 12 months following the termination date, (b) the date he becomes eligible for substantially equivalent health insurance coverage in connection with new employment or self-employment, or (c) the date he becomes ineligible for COBRA continuation coverage.

Sonnet Sub entered into an employment agreement with Mr. Cross on January 10, 2020 (the "Cross Agreement"), setting forth the terms of his employment as Chief Financial Officer, which agreement was assumed by the Company at the Effective Time. Pursuant to the employment agreement, Mr. Cross is entitled to, among other things, (i) an annual gross base salary of \$365,000 and (ii) eligibility for a performance-based cash bonus of up to 40% of the base salary, as determined by the board. The employment agreement shall terminate in accordance with its terms. Pursuant to Mr. Cross's employment agreement, if he is terminated without "Cause" or for "Good Reason" within 2 months prior to or within 12 months following a "Change in Control", he is entitled to (i) his base salary for 12 months, (ii) any performance bonus for the performance year in which his termination occurs, and (iii) if he timely continued coverage under COBRA, payment for COBRA premiums necessary to continue coverage until the earliest of (a) 18 months following the termination date, (b) the date he becomes eligible for substantially equivalent health insurance coverage in connection with new employment or self-employment, or (c) the date he becomes ineligible for COBRA continuation coverage. If Mr. Cross is terminated without "Cause" or for "Good Reason" not coincident with a "Change in Control", he is entitled to (i) his base salary for 9 months, (ii) any performance bonus for the performance year in which his termination occurs, and (iii) if he timely continued coverage under COBRA, payment for COBRA premiums necessary to continue coverage until the earliest of (a) 12 months following the termination date, (b) the date he becomes eligible for substantially equivalent health insurance coverage in connection with new employment or self-employment, or (c) the date he becomes ineligible for COBRA continuation coverage.

On April 1, 2020, the Company entered into an employment agreement with Ms. Dexter (the "Dexter Agreement"), setting forth the terms of her employment as Chief Technical Officer. Pursuant to the employment agreement, Ms. Dexter is entitled to, among other things, (i) an annual gross base salary of \$310,000 and (ii) eligibility for a performance-based cash bonus of up to 35% of the base salary, as determined by the board. The employment agreement shall terminate in accordance with its terms. Pursuant to Ms. Dexter's employment agreement, if she is terminated without "Cause" or for "Good Reason" within 2 months prior to or within 12 months following a "Change in Control", she is entitled to (i) her base salary for 12 months, (ii) any performance bonus for the performance year in which her termination occurs, and (iii) if she timely continued coverage under COBRA, payment for COBRA premiums necessary to continue coverage until the earliest of (a) 18 months following the termination date, (b) the date she becomes eligible for substantially equivalent health insurance coverage in connection with new employment or self-employment, or (c) the date she becomes ineligible for COBRA continuation coverage. If Ms. Dexter is terminated without "Cause" or for "Good Reason" not coincident with a "Change in Control", she is entitled to (i) his base salary for 9 months, (ii) any performance bonus for the performance year in which her termination occurs, and (iii) if she timely continued coverage under COBRA, payment for COBRA premiums necessary to continue coverage until the earliest of (a) 12 months following the termination date, (b) the date she becomes eligible for substantially equivalent health insurance coverage in connection with new employment or self-employment, or (c) the date she becomes ineligible for COBRA continuation coverage.

The foregoing descriptions of the Mohan Agreement, the Cini Agreement, the Cross Agreement and the Dexter Agreement do not purport to be complete and are qualified in their entirety by reference to the complete text of the Mohan Agreement, the Cini Agreement and the Cross Agreement, respectively, which are filed herewith as Exhibits 10.4, 10.5, 10.6 and 10.7, respectively, and incorporated herein by reference.

Related-Party Transactions

The following is a summary of transactions since October 1, 2018 and all currently proposed transactions, to which the Company has been a participant, in which:

- the amounts exceeded or will exceed the lesser of \$120,000 or one percent of the average of the company's total assets at year-end for the last two completed fiscal years; and
- any of its current directors, executive officers or holders of more than 5% of the respective capital stock, or any member of the immediate family of the foregoing persons, had or will have a direct or indirect material interest.

Note Payable

In December 2016, Sonnet Sub issued an unsecured convertible promissory note to Princeton Kanaw LLC (the "Lender") in exchange for cash proceeds of \$1,000,000. The note had an original term of 330 days, which was subsequently extended until December 2018 and bore interest at a rate of 12% per year. The note was convertible into Sonnet Sub common stock at \$1.00 per share, but also included a contingent beneficial conversion feature such that if Sonnet Sub were to issue shares of its common stock at an amount less than \$1.00 per share then the conversion price would be reduced to the lower conversion price per share. During fiscal 2018, Sonnet Sub issued shares of its common stock at \$0.80 per share to investors, and therefore Sonnet Sub recorded a beneficial conversion feature related to the reduction in conversion price of \$250,000 as a debt discount. The beneficial conversion feature represented the difference between the estimated fair value of Sonnet Sub's common stock at the original debt issuance date and the adjusted conversion price. In December 2018, the promissory note was converted into 1,250,000 shares of Sonnet Sub common stock. Sonnet Sub recognized interest expense of \$116,233 and \$283,767 during the years ended September 30, 2019 and 2018, of which \$86,233 and \$163,767 related to the amortization of the debt discount, respectively.

In March 2017, Sonnet Sub issued an additional unsecured convertible promissory note to the Lender in exchange for cash proceeds of \$400,000. The note was guaranteed by the Dr. Mohan, the Company's Chairman, President and Chief Executive Officer. The note had an original term of 330 days, which was subsequently extended until December 2018 and bore interest at a rate of 18% per year. As of September 30, 2018, the outstanding balance of the note was \$390,000. Sonnet Sub recognized interest expense of \$44,136 and \$71,250 during the years ended September 30, 2019 and 2018, respectively. Sonnet Sub repaid the remaining outstanding principal balance in December 2018.

Other Related Party Notes

During the years ended September 30, 2019 and 2018, Sonnet Sub issued other unsecured notes payable to various related parties, including Dr. Mohan, Donald J. Griffith, and John K. Cini, resulting in cash proceeds of \$338,493 and \$184,300, respectively. These notes are payable on demand and payments of \$274,554 and \$71,040 were made during the year ended September 30, 2019 and 2018, respectively. The interest on these notes was de minimis during each of those fiscal years.

In December 2018, Sonnet Sub issued 275,000 shares of its common stock to settle \$220,000 of related party notes.

The total amount of related party notes outstanding was \$217,380 and \$573,441 at September 30, 2019 and 2018, respectively.

Sonnet BioTherapeutics Holdings, Inc. 2020 Omnibus Equity Incentive Plan

On April 1, 2020, Sonnet BioTherapeutics Holdings, Inc. 2020 Omnibus Equity Incentive Plan (the "2020 Plan") became effective. The Company's stockholders approved the 2020 Plan at the Special Meeting, and reserved a total of 653,846 shares of Common Stock for issuance thereunder. The general purpose of the 2020 Plan is to provide a means whereby eligible employees, officers, non-employee directors, consultants, advisors and other individual service providers may develop a sense of proprietorship and personal involvement in our development and financial success, and to encourage them to devote their best efforts to us, thereby advancing our interests and the interests of stockholders of the Company. The 2020 Incentive Plan provides for options to purchase shares of common stock, stock appreciation rights restricted stock units, restricted or unrestricted shares of common stock, performance shares, performance units, incentive bonus awards, other stock-based awards and other cash-based awards. Employees, officers, directors, consultants, advisors and other individual service providers of our Company and our subsidiaries who, in the opinion of the Compensation Committee, are in a position to contribute to our success, or any person who is determined by the Compensation Committee to be a prospective employee, officer, director, consultant, advisor or other individual service provider of the Company or any subsidiary will be eligible for granted under the 2020 Plan.

The terms and conditions of the 2020 Plan are described in the section entitled “Chanticleer Proposal No. 4 (Plan Proposal): To Approve the Sonnet BioTherapeutics Holdings, Inc. 2020 Omnibus Equity Incentive Plan and to Authorize for Issuance 17,000,000 Shares of Common Stock Thereunder” in the Company’s prospectus/definitive proxy statement filed with the SEC on February 11, 2020 (the “Proxy Statement/Prospectus”). The foregoing description of the 2020 Plan and the information incorporated by reference in the preceding sentence does not purport to be complete and is qualified in its entirety by the terms and conditions of the 2020 Plan, which is incorporated by reference to this Current Report on Form 8-K as Exhibit 10.8 and is incorporated herein by reference.

Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year

The information set forth in Item 3.03 of this Current Report on Form 8-K is incorporated by reference into this Item 5.03.

The Company’s current fiscal year end is December 31 of each year. The Company intends to consider changing its fiscal year end to Sonnet Sub’s fiscal year end of September 30.

Item 8.01 Other Events.

Business Update

As a result of the Merger and the Spin-Off, the Company is a clinical-stage biopharmaceutical company with a proprietary technology for developing novel biologic medicines we refer to as F_HABTM (Fully Human Albumin Binding). F_HAB utilizes a fully human single chain antibody fragment (scFv) linked to either one or two therapeutic molecules capable of affecting single- or bi-specific mechanisms of action. The F_HAB construct contains a domain that is designed to bind to and “hitch hike” on human serum albumin (HSA) for transport to tumors and sites of inflammation. This design potentiates drug accumulation in target tissues and extension of the duration of therapeutic activity in the body. F_HAB development candidates are produced in a mammalian cell culture, which enables glycosylation, thereby reducing the risk of immunogenicity. Our pipeline includes cytokine-based immuno-oncology products and we believe our F_HAB technology is well suited for future drug development across a range of human disease areas, including autoimmune, inflammatory, and hematological conditions.

Our current internal pipeline development activities are focused on cytokines, a class of cell signaling peptides that, among other important functions, serve as immunomodulatory agents with potent anti-cancer properties. Working both independently and synergistically, specific cytokines – interleukins - have shown the ability to modulate the activation and maturation of immune cells that fight cancer. However, because they do not preferentially accumulate at tumor sites and are quickly eliminated from the body, the conventional approach to achieving a treatment effect with cytokine therapy typically requires the administration of high and frequent doses. This results in low therapeutic efficacy accompanied by the potential for systemic toxicity, which poses challenges to the therapeutic application of this class of drugs in the cancer setting. We believe our F_HAB technology offers a potential solution to this problem based on *anin vivo* study in a mouse melanoma model where F_HAB significantly improved efficacy versus interleukin by itself due to targeted tumor accumulation and an enhanced therapeutic half-life.

We have a pipeline of therapeutic compounds focused on oncology indications of high unmet medical need.

- SON-080, our lead product candidate, is a fully human version of low dose Interleukin-6 (IL-6) that has successfully completed Phase I clinical trials and, during 2020, we expect to advance to a pilot efficacy Phase II study in patients with chemotherapy-induced peripheral neuropathy (CIPN), a common side effect of antineoplastic cancer regimens. We will also explore the development of low-dose IL-6 in diabetic peripheral neuropathy (DPN) through our SON-081 program, which will include a Phase Ib clinical trial as a next step.

- SON-1010 (IL12- F_HAB), our most advanced F_HAB-derived compound, utilizes a fully human version of Interleukin-12 (IL-12) linked to F_HAB. This compound is being developed for undisclosed solid tumor indications and is expected to enter a Phase I clinical trial in late 2020 or early 2021.

- SON-1210 (IL15- F_HAB-IL12), our first bi-specific construct, combines F_HAB with IL-12 and fully human Interleukin-15 (IL-15). This compound is also being developed for undisclosed solid tumor indications and is expected to enter a Phase I clinical trial in 2021.

In our discovery pipeline, we are investigating:

- SON-2014 (GM-CSF- F_HAB-IL18), a bi-specific combination of Granulocyte-Macrophage Colony Stimulating Factor (GM-CSF) and Interleukin-18 (IL-18) for undisclosed cancers; and

- SON-3015 (anti-IL6- F_HAB-anti-TGFβ), a bi-specific combination of anti-IL6 and anti-Tumor Growth Factor Beta for tumor and bone metastases.

Sonnet Sub Private Placement Transaction

On April 1, 2020, the Company and Sonnet Sub completed a previously announced private placement transaction with certain accredited investors for an aggregate purchase price of approximately \$19.0 million (comprised of (I) a \$4 million credit from Sonnet Sub and the Company to Chardan Capital Markets, LLC (“Chardan”), in lieu of certain transaction fees otherwise owed to Chardan, and (II) \$15 million in cash from the other Investors (as defined below), subject to the offset amount described below) whereby, among other things, Sonnet Sub issued to the Investors shares of Sonnet Sub common stock immediately prior to the Merger (the “Pre-Merger Financing”), pursuant to the Securities Purchase Agreement (the “Financing Purchase Agreement”), made and entered into as February 7, 2020, by and among the Company, Sonnet Sub and the institutional investors party thereto (the “Investors”).

At the closing of the Pre-Merger Financing, (i) Sonnet Sub issued and sold to the Investors shares of Sonnet Sub’s common stock (the “Initial Shares” and, as converted pursuant to the Exchange Ratio in the Merger into the right to receive approximately 1,076,000 shares of Common Stock, the “Converted Initial Shares”), and (ii) Sonnet Sub deposited additional shares of Sonnet Sub’s common stock (as converted pursuant to the Exchange Ratio in the Merger into the right to receive approximately 1,076,000 shares of Common Stock, the “Converted Additional Shares”) into escrow for the benefit of the Investors if 85% of the average of the three lowest volume-weighted average trading prices of a share of Common Stock as quoted on the Nasdaq Capital Market during the first ten trading days immediately following the closing date of the Pre-Merger Financing is lower than the effective price per share paid by the Investors for the Converted Initial Shares, which was approximately \$17.66 per share.

In addition, under the Financing Purchase Agreement the Company has agreed to issue on the tenth trading day following the consummation of the Merger (i) Series A Warrants to purchase Common Stock (the “Series A Warrants”) and (ii) Series B Warrants to purchase Common Stock (the “Series B Warrants”) and, together with the Series A Warrants, the “Investor Warrants”).

The terms and conditions of the Pre-Merger Financing, including the Investor Warrants, are described in the section entitled “*Agreements Related to the Merger—Pre-Merger Financing*” in the Proxy Statement/Prospectus. The form of the Investor Warrants is incorporated by reference to this Current Report on Form 8-K as Exhibit 4.2 and is incorporated herein by reference.

Redemption of Series 1 Preferred Units

In connection with and prior to the Merger, all outstanding Series 1 Preferred Units, comprised of shares of the Company’s 9% Redeemable Series 1 Preferred Stock and warrants to purchase Common Stock, were redeemed and extinguished for their cash redemption price of \$13.50 per unit.

Settlement of 8% Debentures

In connection with and prior to the Merger and Spin-Off, pursuant to an agreement among Amergent, Oz Rey LLC, a Texas limited liability company, the Company and certain other purchasers, the Company was released from all of its obligations under its 8% non-convertible secured debentures issued in May 2017, and the debentures were cancelled. In exchange, Amergent (i) issued 10% convertible secured debentures in an aggregate principal amount of \$4,000,000 to the purchasers under the agreement, (ii) issued warrants to purchase common stock of Amergent to certain of the purchasers, and (iii) remitted payment of \$2,000,000 plus reimbursement of certain expenses to the purchasers.

Exchange and Cancellation of Series 2 Preferred Stock

In connection with the Merger, all outstanding shares of the Company’s Series 2 Convertible Preferred Stock were automatically cancelled and exchanged for substantially similar shares of preferred stock in Amergent.

Item 9.01. Financial Statements and Exhibits.

(a) *Financial Statements of Business Acquired*

Sonnet Sub's unaudited interim financial statements for the three months ended December 31, 2019, and the notes related thereto, filed herewith and attached hereto as Exhibit 99.2, are incorporated herein by reference.

Sonnet Sub's audited financial statements for the years ended September 30, 2019, and the notes related thereto, filed herewith and attached hereto as Exhibit 99.3, are incorporated herein by reference.

Relief Therapeutics Holding SA's audited financial statements for the years ended December 31, 2019, and the notes related thereto, filed herewith and attached hereto as Exhibit 99.4, are incorporated herein by reference.

(b) *Pro Forma Financial Information*

The Company's unaudited pro forma condensed consolidated financial statements for the year ended December 31, 2019 and the notes related thereto, filed herewith and attached hereto as Exhibit 99.5, are incorporated herein by reference.

The Company's unaudited pro forma condensed consolidated financial statements for the three months ended December 31, 2019 and for the year ended September 30, 2019, and the notes related thereto, filed herewith and attached hereto as Exhibit 99.6, are incorporated herein by reference.

(d) Exhibits.

<u>Exhibit No.</u>	<u>Exhibit</u>
2.1	<u>Agreement and Plan of Merger, dated October 10, 2019, by and among the Company, Sonnet Sub. and Merger Sub (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K as filed on October 11, 2019, and incorporated herein by reference)</u>
2.2	<u>Amendment No. 1 to Agreement and Plan of Merger, dated February 7, 2020, by and among the Company, Sonnet Sub and Merger Sub (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K as filed on February 7, 2020, and incorporated herein by reference)</u>
3.1	<u>Amendment to Certificate of Incorporation of the Company related to the Reverse Stock Split</u>
3.2	<u>Amendment to Certificate of Incorporation of the Company related to the Authorized Share Increase</u>
3.3	<u>Amendment to Certificate of Incorporation of the Company related to the Name Change</u>
4.1	<u>Spin-Off Entity Warrant, dated April 1, 2020</u>
4.2	<u>Form of Series A/B Warrants (incorporated by reference to Exhibit 4.16 to the Company's Registration Statement on Form S-4 filed with the SEC on February 7, 2020)</u>
10.1	<u>Common Stock Purchase Agreement, between GEM Global Yield Fund LLC SCS and Sonnet BioTherapeutics, Inc., dated August 6, 2019 (incorporated by reference to Exhibit 10.54 to the Company's Registration Statement on Form S-4 filed with the SEC on February 7, 2020)</u>
10.2	<u>Amendment to Common Stock Purchase Agreement, between GEM Global Yield Fund LLC SCS and Sonnet BioTherapeutics, Inc., dated September 25, 2019 (incorporated by reference to Exhibit 10.55 to the Company's Registration Statement on Form S-4 filed with the SEC on February 7, 2020)</u>
10.3	<u>Side Letter and Amendment No. 2 to Common Stock Purchase Agreement, between GEM Global Yield Fund LLC SCS, Sonnet BioTherapeutics, Inc. and Chanticleer Holdings, Inc., dated February 7, 2020 (incorporated by reference to Exhibit 10.60 to the Company's Registration Statement on Form S-4 filed with the SEC on February 7, 2020)</u>
10.4	<u>Employment Agreement, between Pankaj Mohan and Sonnet BioTherapeutics, Inc., dated December 31, 2018 (incorporated by reference to Exhibit 10.56 to the Company's Registration Statement on Form S-4 filed with the SEC on February 7, 2020)</u>
10.5	<u>Employment Agreement, between John Cini and Sonnet BioTherapeutics, Inc., dated January 10, 2020 (incorporated by reference to Exhibit 10.58 to the Company's Registration Statement on Form S-4 filed with the SEC on February 7, 2020)</u>
10.6	<u>Employment Agreement, between Jay Cross and Sonnet BioTherapeutics, Inc., dated January 10, 2020 (incorporated by reference to Exhibit 10.57 to the Company's Registration Statement on Form S-4 filed with the SEC on February 7, 2020)</u>
10.7	<u>Employment Agreement, between Susan Dexter and the Company, dated April 1, 2020</u>
10.8	<u>Sonnet BioTherapeutics Holdings, Inc. 2020 Omnibus Equity Incentive Plan (incorporated by reference from Annex D to the Company's prospectus/definitive proxy statement as filed on February 11, 2020, and incorporated herein by reference)</u>
23.1	<u>Consent of KPMG, Independent Registered Public Accounting Firm</u>
23.2	<u>Consent of Mazars SA, Independent Public Accounting Firm</u>
99.1	<u>Press Release dated April 1, 2020</u>
99.2	<u>The unaudited interim financial statements of Sonnet Sub for the three months ended December 31, 2019, and the notes related thereto.</u>
99.3	<u>Sonnet BioTherapeutics, Inc. audited condensed financial statements for the years ended September 30, 2019 and 2018, and the notes related thereto.</u>
99.4	<u>Relief Therapeutics Holding SA's audited condensed financial statements for the years ended December 31, 2019, and the notes related thereto.</u>
99.5	<u>The Unaudited pro forma condensed consolidated financial statements for</u>
99.6	<u>The Unaudited pro forma condensed consolidated financial statements for the year ended December 31, 2019, and the notes related thereto.</u>



SIGNATURE

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 hereunto duly authorized.

Sonnet BioTherapeutics Holdings, Inc.
a Delaware corporation
(Registrant)

Date: April 2, 2020

By: /s/ Pankaj Mohan, Ph.D.
Name: Pankaj Mohan, Ph.D.
Title: Chief Executive Officer

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
CHANTICLEER HOLDINGS, INC.

Chanticleer Holdings, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "*Company*"),

DOES HEREBY CERTIFY:

FIRST: The name of Company is Chanticleer Holdings, Inc.

SECOND: The Board of Directors of the Company, acting in accordance with the provisions of Sections 141 and 242 of the General Corporation Law of the State of Delaware, adopted resolutions amending its Certificate of Incorporation as follows:

The Certificate of Incorporation of the Company shall be amended by adding the following paragraphs immediately following the second paragraph of Article Fourth:

Contingent and effective upon the filing of this Certificate of Amendment to the Certificate of Incorporation (the "*Certificate of Amendment*") with the Secretary of State of the State of Delaware (the "*Effective Time*"), each twenty-six (26) shares of common stock issued and outstanding prior to the Effective Time shall, automatically and without any action on the part of the respective holders thereof, be combined and converted into one (1) share of common stock (the "*Reverse Split*"). No fractional share shall be issued in connection with the foregoing combination of the shares pursuant to the Reverse Split. The Company will pay in cash the fair value of such fractional shares, without interest and as determined in good faith by the Board of Directors of the Company when those entitled to receive such fractional shares are determined.

The Reverse Split shall occur automatically without any further action by the holders of common stock, and whether or not the certificates representing such shares of common stock have been surrendered to the Company; *provided, however*, that the Company shall not be obligated to issue certificates evidencing the shares of common stock issuable as a result of the Reverse Split unless the existing certificates evidencing the applicable shares of common stock prior to the Reverse Split are either delivered to the Company, or the holder notifies the Company that such certificates have been lost, stolen or destroyed, and executes an agreement satisfactory to the Company to indemnify the Company from any loss incurred by it in connection with such certificates."

THIRD: Thereafter pursuant to a resolution of the Board of Directors, this Certificate of Amendment was submitted to the stockholders of the Company for their approval, and was duly adopted at a Special Meeting of Stockholders held on March 18, 2020, in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned, being a duly elected officer of the Corporation, has executed this Certificate of Amendment to the Certificate of Incorporation and affirms the statements herein contained on this 1st day of April, 2020.

CHANTICLEER HOLDINGS, INC.

By: _____

Name: Michael D. Pruitt

Title: Chief Executive Officer

**CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
CHANTICLEER HOLDINGS, INC.**

Chanticleer Holdings, Inc., a corporation duly organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify that:

1. The Certificate of Incorporation of the Corporation is hereby amended by deleting the first paragraph of Article Fourth thereof in its entirety and inserting the following in lieu thereof:

"FOURTH: The total number of shares of common stock which the Corporation is authorized to issue is 125,000,000, at a par value of \$.0001 per share, and the total number of shares of preferred stock which the Corporation is authorized to issue is 5,000,000, at a par value of \$.0001 per share."

2. The foregoing amendment was duly adopted in accordance with the provisions of Sections 242, 141 (by written consent of the board of directors), and 211 (at a special meeting of the stockholders) of the General Corporation Law of the State of Delaware.
3. The effective date of this Certificate of Amendment is April 1, 2020.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned, being a duly elected officer of the Corporation, has executed this Certificate of Amendment to the Certificate of Incorporation and affirms the statements herein contained on this 1st day of April, 2020.

CHANTICLEER HOLDINGS, INC.

By: _____

Name: Michael D. Pruitt

Title: Chief Executive Officer

**CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
CHANTICLEER HOLDINGS, INC.**

Chanticleer Holdings, Inc., a corporation duly organized and existing under the General Corporation Law of the State of Delaware (the "**Corporation**"), does hereby certify that:

FIRST: That the name of this Corporation is Chanticleer Holdings, Inc. The Certificate of Incorporation of this Corporation was originally filed with the office of the Secretary of State of the State of Delaware on October 21, 1999 under the name Tulvine Systems, Inc. The name of this Corporation was changed to Chanticleer Holdings, Inc. by the Certificate of Merger filed with the office of the Secretary of State of the State of Delaware on May 2, 2005.

SECOND: The Board of Directors of the Corporation, acting in accordance with the provisions of Sections 141 and 242 of the General Corporation Law of the State of Delaware (the "**DGCL**"), adopted resolutions amending its Certificate of Incorporation as follows:

RESOLVED, that Article I of the Certificate of Incorporation be amended and restated in its entirety as follows:

"The name of this corporation is: Sonnet BioTherapeutics Holdings, Inc."

THIRD: This Certificate of Amendment was duly adopted in accordance with Sections 141 and 242 of the DGCL.

FOURTH: Other than as set forth in this Certificate of Amendment, the Certificate of Incorporation shall remain in full force and effect, without modification, amendment or change.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned, being a duly elected officer of the Corporation, has executed this Certificate of Amendment to the Certificate of Incorporation and affirms the statements herein contained on this 1st day of April, 2020

CHANTICLEER HOLDINGS, INC.

By: _____

Name: Michael D. Pruitt

Title: Chief Executive Officer

NEITHER THIS SECURITY NOR THE SECURITIES FOR WHICH THIS SECURITY IS EXERCISABLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS.

SONNET BIOTHERAPEUTICS HOLDINGS, INC.

WARRANT TO PURCHASE COMMON STOCK

Warrant No.: Spin-Off Entity Warrant 1
Number of Shares of Common Stock: 186,161
Date of Issuance: April 1, 2020 ("**Issuance Date**")
Initial Exercise Date: September 28, 2020

Sonnet BioTherapeutics Holdings, Inc., a company organized under the laws of Delaware (the "**Company**"), hereby certifies that, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Amergent Hospitality Group, Inc., the registered holder hereof or its permitted assigns (the "**Holder**"), is entitled, subject to the terms set forth below, to purchase from the Company, at the Exercise Price (as defined below) then in effect, at any time on or after the date set forth above (the "**Initial Exercise Date**") and on or prior to 5:00 p.m. (New York City time) on April 1, 2025 (the "**Expiration Date**") but not thereafter 186,161 fully paid non-assessable shares of Common Stock (as defined below), subject to adjustment as provided herein (the "**Warrant Shares**"). Except as otherwise defined herein, capitalized terms in this Warrant to Purchase Common Stock (including any Warrants to Purchase Common Stock issued in exchange, transfer or replacement hereof, this "**Warrant**"), shall have the meanings set forth in Section 12. This Warrant is being issued pursuant to that certain Agreement and Plan of Merger, dated as of October 10, 2019.

1. EXERCISE OF WARRANT.

(a) Mechanics of Exercise. Subject to the terms and conditions hereof (including, without limitation, the limitations set forth in Section 1(f)), this Warrant may be exercised by the Holder on or after the Initial Exercise Date and on or before the Expiration Date, in whole or in part (but not as to fractional shares), by delivery (whether via facsimile, electronic mail or otherwise) of a written notice, in the form attached hereto as Exhibit A (the “**Exercise Notice**”), of the Holder’s election to exercise this Warrant. Within one (1) Trading Day following the delivery of the Exercise Notice, the Holder shall make payment to the Company of an amount equal to the Exercise Price in effect on the date of such exercise multiplied by the number of Warrant Shares as to which this Warrant is being exercised (the “**Aggregate Exercise Price**”) in cash by wire transfer of immediately available funds (a “**Cash Exercise**”) or, if the provisions of Section 1(d) are applicable, by notifying the Company that this Warrant is being exercised pursuant to a Cashless Exercise (as defined in Section 1(d)). The Holder shall not be required to deliver the original Warrant in order to effect an exercise hereunder, nor shall any ink-original signature or medallion guarantee (or other type of guarantee or notarization) with respect to any Exercise Notice be required, provided, that in the event of an exercise of this Warrant for all Warrant Shares then issuable hereunder, this Warrant is surrendered to the Company by the second (2nd) Trading Day following the date on which the Company has received each of the Exercise Notice and, if this Warrant is being exercised pursuant to a Cash Exercise, the Aggregate Exercise Price. Execution and delivery of the Exercise Notice with respect to less than all of the Warrant Shares shall have the same effect as cancellation of the original Warrant and issuance of a new Warrant evidencing the right to purchase the remaining number of Warrant Shares. On or before the third (3rd) Trading Day following the date on which the Holder has delivered the applicable Exercise Notice, the Company shall transmit by facsimile or electronic mail an acknowledgment of confirmation of receipt of the Exercise Notice, in the form attached to the Exercise Notice, to the Holder and the Company’s transfer agent (the “**Transfer Agent**”). So long as the Holder delivers the Aggregate Exercise Price (or notice of a Cashless Exercise) on or prior to the first (1st) Trading Day following the date on which the Exercise Notice has been delivered to the Company, then on or prior to the fifth (5th) Trading Day (the “**Share Delivery Date**”), the Company shall (X) if the Warrant Shares have been registered for resale under the Securities Act of 1933, and provided that the Transfer Agent is participating in The Depository Trust Company (“**DTC**”) Fast Automated Securities Transfer Program, credit such aggregate number of Warrant Shares to which the Holder is entitled pursuant to such exercise to the Holder’s or its designee’s balance account with DTC through its Deposit / Withdrawal At Custodian system, or (Y) if the Warrant Shares have not been registered for resale under the Securities Act of 1933 or the Transfer Agent is not participating in the DTC Fast Automated Securities Transfer Program, issue and dispatch by overnight courier to the address as specified in the Exercise Notice, a certificate, registered in the name of the Holder or its designee, for the number of Warrant Shares to which the Holder is entitled pursuant to such exercise. The Company shall be responsible for all fees and expenses of the Transfer Agent and all fees and expenses with respect to the issuance of Warrant Shares via DTC, if any, including without limitation for same day processing. Upon delivery of the Exercise Notice, the Holder shall be deemed for all corporate purposes to have become the holder of record and beneficial owner of the Warrant Shares with respect to which this Warrant has been exercised, irrespective of the date such Warrant Shares are credited to the Holder’s DTC account or the date of delivery of the certificates evidencing such Warrant Shares, as the case may be, provided that the Holder delivers the Aggregate Exercise Price (or notice of a Cashless Exercise) within one (1) Trading Day of delivery of the Exercise Notice. If this Warrant is physically delivered to the Company in connection with any exercise pursuant to this Section 1(a) and the number of Warrant Shares represented by this Warrant submitted for exercise is greater than the number of Warrant Shares being acquired upon an exercise, then the Company shall as soon as practicable and in no event later than five (5) Trading Days after any exercise and at its own expense, issue and deliver to the Holder (or its designee) a new Warrant (in accordance with Section 7(d)) representing the right to purchase the number of Warrant Shares issuable immediately prior to such exercise under this Warrant, less the number of Warrant Shares with respect to which this Warrant is exercised. No fractional Warrant Shares are to be issued upon the exercise of this Warrant, but rather the number of Warrant Shares to be issued shall be rounded to the nearest whole number. The Company shall pay any and all transfer, stamp, issuance and similar taxes, costs and expenses (including, without limitation, fees and expenses of the Transfer Agent) which may be payable with respect to the issuance and delivery of Warrant Shares upon exercise of this Warrant, provided, however, that the Company shall not be required to pay any tax which may be payable based on the income of the Holder or in respect of any transfer involved in the registration of any certificates for Warrant Shares or Warrants in a name other than that of the Holder or an affiliate thereof. The Holder shall be responsible for any tax which may be payable based on the income of the Holder or in respect of any transfer involved in the registration of any certificates for Warrant Shares or Warrants in a name other than that of the Holder or an affiliate thereof. The Company’s obligations to issue and deliver Warrant Shares in accordance with the terms and subject to the conditions hereof are absolute and unconditional, irrespective of any action or inaction by the Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination; provided, however, that the Company shall not be required to deliver Warrant Shares with respect to an exercise prior to the Holder’s delivery of the Aggregate Exercise Price (or notice of a Cashless Exercise) with respect to such exercise.

(b) Exercise Price. For purposes of this Warrant, “Exercise Price” means \$0.01 per share, subject to adjustment as provided herein.

(c) Cashless Exercise. Notwithstanding anything contained herein to the contrary, the Holder may, in its sole discretion, exercise this Warrant in whole or in part and, in lieu of making the cash payment otherwise contemplated to be made to the Company upon such exercise in payment of the Aggregate Exercise Price, elect instead to receive upon such exercise the “Net Number” of shares of Common Stock determined according to the following formula (a “Cashless Exercise”):

$$\text{Net Number} = \frac{(A \times B) - (A \times C)}{B}$$

For purposes of the foregoing formula:

A= the total number of shares with respect to which this Warrant is then being exercised.

B= as applicable: (i) the Closing Sale Price of the Common Stock on the Trading Day immediately preceding the date of the applicable Exercise Notice if such Exercise Notice is (1) both executed and delivered pursuant to Section 1(a) hereof on a day that is not a Trading Day or (2) both executed and delivered pursuant to Section 1(a) hereof on a Trading Day prior to the opening of “regular trading hours” (as defined in Rule 600(b)(64) of Regulation NMS promulgated under the federal securities laws) on such Trading Day, (ii) the Bid Price of the Common Stock as of the time of the Holder’s execution of the applicable Exercise Notice if such Exercise Notice is executed during “regular trading hours” on a Trading Day and is delivered within two (2) hours thereafter (including until two (2) hours after the close of “regular trading hours” on a Trading Day) pursuant to Section 1(a) hereof, or (iii) the Closing Sale Price of the Common Stock on the date of the applicable Exercise Notice if the date of such Exercise Notice is a Trading Day and such Exercise Notice is both executed and delivered pursuant to Section 1(a) hereof after the close of “regular trading hours” on such Trading Day.

C= the Exercise Price then in effect for the applicable Warrant Shares at the time of such exercise.

If Warrant Shares are issued in such a cashless exercise, the Company acknowledges and agrees that in accordance with Section 3(a)(9) of the Securities Act of 1933, as amended, the Warrant Shares shall take on the characteristics of the Warrants being exercised, and the holding period of the Warrants being exercised may be tacked on to the holding period of the Warrant Shares. The Company agrees not to take any position contrary to this Section 1(d).

(d) Disputes. In the case of a dispute as to the determination of the Exercise Price or the arithmetic calculation of the Warrant Shares, the Company shall promptly issue to the Holder the number of Warrant Shares that are not disputed and resolve such dispute in accordance with Section 11.

(e) Authorized Shares. The Company covenants that, during the period the Warrant is outstanding, it will reserve from its authorized and unissued shares of Common Stock a sufficient number of shares to provide for the issuance of the Warrant Shares upon the exercise of any purchase rights under this Warrant. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of issuing the necessary Warrant Shares upon the exercise of the purchase rights under this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of the Trading Market upon which the shares of Common Stock may be listed. The Company covenants that all Warrant Shares which may be issued upon the exercise of the purchase rights represented by this Warrant will, upon exercise of the purchase rights represented by this Warrant and payment for such Warrant Shares in accordance herewith, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges created by the Company in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue).

Except and to the extent as waived or consented to by the Holder, the Company shall not by any action, including, without limitation, amending its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Holder as set forth in this Warrant against impairment. Without limiting the generality of the foregoing, the Company will (i) not increase the par value of any Warrant Shares above the amount payable therefor upon such exercise immediately prior to such increase in par value, (ii) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant and (iii) use commercially reasonable efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof, as may be, necessary to enable the Company to perform its obligations under this Warrant. Before taking any action which would result in an adjustment in the number of Warrant Shares for which this Warrant is exercisable or in the Exercise Price, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from any public regulatory body or bodies having jurisdiction thereof.

2. ADJUSTMENT OF EXERCISE PRICE AND NUMBER OF WARRANT SHARES

The Exercise Price and the number of Warrant Shares shall be adjusted from time to time as follows:

(a) Adjustment Upon Subdivision or Combination of Common Stock. If the Company at any time while this Warrant is outstanding subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its outstanding shares of Common Stock into a greater number of shares, the Exercise Price in effect immediately prior to such subdivision will be proportionately reduced and the number of Warrant Shares will be proportionately increased. If the Company at any time while this Warrant is outstanding combines (by combination, reverse stock split or otherwise) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, the Exercise Price in effect immediately prior to such combination will be proportionately increased and the number of Warrant Shares will be proportionately decreased. Any adjustment under this Section 2(b) shall become effective at the close of business on the date the subdivision or combination becomes effective.

3. RIGHTS UPON DISTRIBUTION OF ASSETS. In addition to any adjustments pursuant to Section 2 above, if, at any time while this Warrant is outstanding, the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to holders of shares of Common Stock, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities, property, options, evidence of indebtedness or any other assets by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (a "**Distribution**"), at any time after the issuance of this Warrant, then, in each such case, the Holder shall be entitled to participate in such Distribution to the same extent that the Holder would have participated therein if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant immediately before the date on which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the participation in such Distribution.

4. PURCHASE RIGHTS: FUNDAMENTAL TRANSACTIONS

(a) Purchase Rights. In addition to any adjustments pursuant to Section 2 above, if at any time while this Warrant is outstanding the Company grants, issues or sells any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of Common Stock (the "**Purchase Rights**"), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of Common Stock are to be determined for the grant, issuance or sale of such Purchase Rights.

(b) Fundamental Transaction. The Company shall not enter into or be party to a Fundamental Transaction unless the Successor Entity assumes in writing all of the obligations of the Company under this Warrant in accordance with the provisions of this Section 4(b), including agreements to deliver to the Holder in exchange for this Warrant a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant, including, without limitation, which is exercisable for a corresponding number of shares of capital stock equivalent to the shares of Common Stock acquirable and receivable upon exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) prior to such Fundamental Transaction, and with an exercise price which applies the exercise price hereunder to such shares of capital stock (but taking into account the relative value of the shares of Common Stock pursuant to such Fundamental Transaction and the value of such shares of capital stock, such adjustments to the number of shares of capital stock and such exercise price being for the purpose of protecting the economic value of this Warrant immediately prior to the consummation of such Fundamental Transaction). Upon the consummation of each Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for the Company (so that from and after the date of the applicable Fundamental Transaction, the provisions of this Warrant referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Warrant with the same effect as if such Successor Entity had been named as the Company herein. Notwithstanding the foregoing, and without limiting Section 1(f) hereof, the Holder may elect, at its sole option, by delivery of written notice to the Company to waive this Section 4(b) to permit the Fundamental Transaction without the assumption of this Warrant.

5. WARRANT HOLDER NOT DEEMED A STOCKHOLDER. Except as otherwise specifically provided herein, the Holder, solely in such Person's capacity as a holder of this Warrant, shall not be entitled to vote or receive dividends or be deemed the holder of capital stock of the Company for any purpose, nor shall anything contained in this Warrant be construed to confer upon the Holder, solely in such Person's capacity as the Holder of this Warrant, any of the rights of a stockholder of the Company or any right to vote, give or withhold consent to any corporate action (whether any reorganization, issue of stock, reclassification of stock, consolidation, merger, conveyance or otherwise), receive notice of meetings, receive dividends or subscription rights, or otherwise, prior to the issuance to the Holder of the Warrant Shares which such Person is then entitled to receive upon the due exercise of this Warrant. In addition, nothing contained in this Warrant shall be construed as imposing any liabilities on the Holder to purchase any securities (upon exercise of this Warrant or otherwise) or as a stockholder of the Company, whether such liabilities are asserted by the Company or by creditors of the Company. Notwithstanding this Section 6, the Company shall provide the Holder with copies of the same notices and other information given to the stockholders of the Company generally, contemporaneously with the giving thereof to the stockholders.

6. REISSUANCE OF WARRANTS.

(a) Transfer of Warrant. If this Warrant is to be transferred, the Holder shall surrender this Warrant to the Company, whereupon the Company will forthwith issue and deliver upon the order of the Holder a new Warrant (in accordance with Section 7(d)), registered as the Holder may request, representing the right to purchase the number of Warrant Shares being transferred by the Holder and, if less than the total number of Warrant Shares then underlying this Warrant is being transferred, a new Warrant (in accordance with Section 7(d)) to the Holder representing the right to purchase the number of Warrant Shares not being transferred. The acceptance of the new Warrant by the transferee thereof shall be deemed the acceptance by such transferee of all of the rights and obligations in respect of the new Warrant that the Holder has in respect of this Warrant.

(b) Lost, Stolen or Mutilated Warrant. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant, and, in the case of loss, theft or destruction, of any indemnification undertaking by the Holder to the Company in customary form (but without the obligation to post a bond) and, in the case of mutilation, upon surrender and cancellation of this Warrant, the Company shall execute and deliver to the Holder a new Warrant (in accordance with Section 7(d)) representing the right to purchase the Warrant Shares then underlying this Warrant.

(c) Exchangeable for Multiple Warrants. This Warrant is exchangeable, upon the surrender hereof by the Holder at the principal office of the Company, for a new Warrant or Warrants (in accordance with Section 7(d)) representing in the aggregate the right to purchase the number of Warrant Shares then underlying this Warrant, and each such new Warrant will represent the right to purchase such portion of such Warrant Shares as is designated by the Holder at the time of such surrender, provided, however, that the Company shall not be required to issue Warrants for fractional shares of Common Stock hereunder.

(d) Issuance of New Warrants. Whenever the Company is required to issue a new Warrant pursuant to the terms of this Warrant, such new Warrant (i) shall be of like tenor with this Warrant, (ii) shall represent, as indicated on the face of such new Warrant, the right to purchase the Warrant Shares then underlying this Warrant (or in the case of a new Warrant being issued pursuant to Section 7(a) or Section 7(c), the Warrant Shares designated by the Holder which, when added to the number of shares of Common Stock underlying the other new Warrants issued in connection with such issuance, does not exceed the number of Warrant Shares then underlying this Warrant), (iii) shall have an issuance date, as indicated on the face of such new Warrant which is the same as the Issuance Date, and (iv) shall have the same rights and conditions as this Warrant.

7. NOTICES. Whenever notice is required to be given under this Warrant, including, without limitation, an Exercise Notice, unless otherwise provided herein, such notice shall be given in writing, (i) if delivered (a) from within the domestic United States, by first-class registered or certified airmail, or nationally recognized overnight express courier, postage prepaid, electronic mail or by facsimile or (b) from outside the United States, by International Federal Express, electronic mail or facsimile, and (ii) will be deemed given (A) if delivered by first-class registered or certified mail domestic, three (3) Trading Days after so mailed, (B) if delivered by nationally recognized overnight carrier, one (1) Trading Day after so mailed, (C) if delivered by International Federal Express, two (2) Trading Days after so mailed and (D) at the time of transmission, if delivered by electronic mail to the email address specified in this Section 8 prior to 5:00 p.m. (New York time) on a Trading Day, (E) the next Trading Day after the date of transmission, if delivered by electronic mail to each of the email address specified in this Section 8 on a day that is not a Trading Day or later than 5:00 p.m. (New York time) on any Trading Day and (E) if delivered by facsimile, upon electronic confirmation of receipt of such facsimile, and will be delivered and addressed as follows:

(i) if to the Company, to:

Sonnet BioTherapeutics Holdings, Inc.
100 Overlook Center, Second Floor,
Princeton, New Jersey, 08540-7814

(ii) if to the Holder, at such address or other contact information delivered by the Holder to Company or as is on the books and records of the Company.

The Company shall provide the Holder with prompt written notice of all actions taken pursuant to this Warrant, including in reasonable detail a description of such action and the reason therefor. Without limiting the generality of the foregoing, the Company will give written notice to the Holder (i) reasonably promptly upon any adjustment of the Exercise Price, setting forth in reasonable detail, and certifying, the calculation of such adjustment and (ii) at least ten (10) days prior to the date on which the Company closes its books or takes a record (A) with respect to any dividend or distribution upon the shares of Common Stock, (B) with respect to any grants, issuances or sales of any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property pro rata to holders of any class of shares of Common Stock or (C) for determining rights to vote with respect to any Fundamental Transaction, dissolution or liquidation; provided in each case that such information shall be made known to the public prior to or in conjunction with such notice being provided to the Holder. It is expressly understood and agreed that the time of exercise specified by the Holder in each Exercise Notice shall be definitive and may not be disputed or challenged by the Company.

8. AMENDMENT AND WAIVER. Except as otherwise provided herein, the provisions of this Warrant may be amended or waived and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company has obtained the written consent of the Holder.

9. GOVERNING LAW; JURISDICTION; JURY TRIAL. This Warrant shall be governed by and construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Warrant shall be governed by, the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. The Company hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in The City of New York, Borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. **THE COMPANY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS WARRANT OR ANY TRANSACTION CONTEMPLATED HEREBY.**

10. TRANSFER. This Warrant and the Warrant Shares may be offered for sale, sold, transferred, pledged or assigned without the consent of the Company.

11. SEVERABILITY; CONSTRUCTION; HEADINGS. If any provision of this Warrant is prohibited by law or otherwise determined to be invalid or unenforceable by a court of competent jurisdiction, the provision that would otherwise be prohibited, invalid or unenforceable shall be deemed amended to apply to the broadest extent that it would be valid and enforceable, and the invalidity or unenforceability of such provision shall not affect the validity of the remaining provisions of this Warrant so long as this Warrant as so modified continues to express, without material change, the original intentions of the parties as to the subject matter hereof and the prohibited nature, invalidity or unenforceability of the provision(s) in question does not substantially impair the respective expectations or reciprocal obligations of the parties or the practical realization of the benefits that would otherwise be conferred upon the parties. The parties will endeavor in good faith negotiations to replace the prohibited, invalid or unenforceable provision(s) with a valid provision(s), the effect of which comes as close as possible to that of the prohibited, invalid or unenforceable provision(s). This Warrant shall be deemed to be jointly drafted by the Company and the Holder and shall not be construed against any Person as the drafter hereof. The headings of this Warrant are for convenience of reference and shall not form part of, or affect the interpretation of, this Warrant.

12. CERTAIN DEFINITIONS. For purposes of this Warrant, the following terms shall have the following meanings:

(a) “**Affiliate**” means, with respect to any Person, any other Person that directly or indirectly controls, is controlled by, or is under common control with, such Person, it being understood for purposes of this definition that “control” of a Person means the power directly or indirectly either to vote 10% or more of the stock having ordinary voting power for the election of directors of such Person or direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

(b) “**Bid Price**” means, for any security as of the particular time of determination, the bid price for such security on the Principal Market as reported by Bloomberg as of such time of determination, or, if the Principal Market is not the principal securities exchange or trading market for such security, the bid price of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg as of such time of determination, or if the foregoing does not apply, the bid price of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg as of such time of determination, or, if no bid price is reported for such security by Bloomberg as of such time of determination, the average of the bid prices of any market makers for such security as reported in the “pink sheets” by OTC Markets Group Inc. (formerly Pink Sheets LLC) as of such time of determination. If the Bid Price cannot be calculated for a security as of the particular time of determination on any of the foregoing bases, the Bid Price of such security as of such time of determination shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved in accordance with the procedures in Section 11. All such determinations shall be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during such period.

(c) **"Bloomberg"** means Bloomberg Financial Markets.

(d) **"Business Day"** means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York are authorized or required by law to remain closed.

(e) **"Closing Sale Price"** means, for any security as of any date, the last closing trade price for such security on the Principal Market, as reported by Bloomberg, or, if the Principal Market begins to operate on an extended hours basis and does not designate the closing trade price then the last trade price of such security prior to 4:00:00 p.m., New York time, as reported by Bloomberg, or, if the Principal Market is not the principal securities exchange or trading market for such security, the last trade price of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg, or, if the foregoing do not apply, the last trade price of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg, or, if no last trade price is reported for such security by Bloomberg, the average of the ask prices of any market makers for such security as reported in the OTC Link or "pink sheets" by OTC Markets Group Inc. (formerly Pink OTC Markets Inc.). If the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Closing Sale Price of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved pursuant to Section 11. All such determinations to be appropriately adjusted for any stock dividend, stock split, stock combination, reclassification or other similar transaction during the applicable calculation period.

(f) **"Common Stock"** means (i) the Company's Common Stock, par value \$0.001 per share, and (ii) any capital stock into which such Common Stock shall have been changed or any capital stock resulting from a reclassification of such Common Stock.

(g) **"Convertible Securities"** means any stock or securities (other than Options) directly or indirectly convertible into or exercisable or exchangeable for shares of Common Stock.

(h) **"Eligible Market"** means The NASDAQ Capital Market, the NYSE American LLC, The NASDAQ Global Select Market, The NASDAQ Global Market or The New York Stock Exchange, Inc.

(i) **“Fundamental Transaction”** means (A) that the Company shall, directly or indirectly, including through subsidiaries, Affiliates or otherwise, in one or more related transactions, (i) consolidate or merge with or into (whether or not the Company is the surviving corporation) another Subject Entity, or (ii) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company or any of its “significant subsidiaries” (as defined in Rule 1-02 of Regulation S-X) to one or more Subject Entities, or (iii) make, or allow one or more Subject Entities to make, or allow the Company to be subject to or have its shares of Common Stock be subject to or party to one or more Subject Entities making, a purchase, tender or exchange offer that is accepted by the holders of at least either (x) 50% of the outstanding shares of Common Stock, (y) 50% of the outstanding shares of Common Stock calculated as if any shares of Common Stock held by all Subject Entities making or party to, or Affiliated with any Subject Entities making or party to, such purchase, tender or exchange offer were not outstanding; or (z) such number of shares of Common Stock such that all Subject Entities making or party to, or Affiliated with any Subject Entity making or party to, such purchase, tender or exchange offer, become collectively the beneficial owners (as defined in Rule 13d-3 under the 1934 Act) of at least 50% of the outstanding shares of Common Stock, or (iv) consummate a stock purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with one or more Subject Entities whereby all such Subject Entities, individually or in the aggregate, acquire, either (x) at least 50% of the outstanding shares of Common Stock, (y) at least 50% of the outstanding shares of Common Stock calculated as if any shares of Common Stock held by all the Subject Entities making or party to, or Affiliated with any Subject Entity making or party to, such stock purchase agreement or other business combination were not outstanding; or (z) such number of shares of Common Stock such that the Subject Entities become collectively the beneficial owners (as defined in Rule 13d-3 under the 1934 Act) of at least 50% of the outstanding shares of Common Stock, or (v) reorganize, recapitalize or reclassify its shares of Common Stock, (B) that the Company shall, directly or indirectly, including through subsidiaries, Affiliates or otherwise, in one or more related transactions, allow any Subject Entity individually or the Subject Entities in the aggregate to be or become the “beneficial owner” (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, whether through acquisition, purchase, assignment, conveyance, tender, tender offer, exchange, reduction in outstanding shares of Common Stock, merger, consolidation, business combination, reorganization, recapitalization, spin-off, scheme of arrangement, reorganization, recapitalization or reclassification or otherwise in any manner whatsoever, of either (x) at least 50% of the aggregate ordinary voting power represented by issued and outstanding shares of Common Stock, (y) at least 50% of the aggregate ordinary voting power represented by issued and outstanding shares of Common Stock not held by all such Subject Entities as of the Issuance Date calculated as if any shares of Common Stock held by all such Subject Entities were not outstanding, or (z) a percentage of the aggregate ordinary voting power represented by issued and outstanding shares of Common Stock or other equity securities of the Company sufficient to allow such Subject Entities to effect a statutory short form merger or other transaction requiring other stockholders of the Company to surrender their Common Stock without approval of the stockholders of the Company or (C) directly or indirectly, including through subsidiaries, Affiliates or otherwise, in one or more related transactions, the issuance of or the entering into any other instrument or transaction structured in a manner to circumvent, or that circumvents, the intent of this definition in which case this definition shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this definition to the extent necessary to correct this definition or any portion of this definition which may be defective or inconsistent with the intended treatment of such instrument or transaction.

(j) **“Group”** means a “group” as that term is used in Section 13(d) of the 1934 Act and as defined in Rule 13d-5 thereunder.

(k) **“Options”** means any rights, warrants or options to subscribe for or purchase shares of Common Stock or Convertible Securities.

(l) **“Parent Entity”** of a Person means an entity that, directly or indirectly, controls the applicable Person, including such entity whose common stock or equivalent equity security is quoted or listed on an Eligible Market (or, if so elected by the Holder, any other market, exchange or quotation system), or, if there is more than one such Person or such entity, the Person or such entity designated by the Holder or in the absence of such designation, such Person or entity with the largest public market capitalization as of the date of consummation of the Fundamental Transaction.

(m) **“Person”** means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity and a government or any department or agency thereof.

(n) **“Principal Market”** means (i) the Nasdaq Capital Market, or (ii) if the Nasdaq Capital Market is not the principal trading market for the Common Stock, then the principal securities exchange or securities market on which the Common Stock is then traded.

(o) **“Subject Entity”** means any Person, Persons or Group or any Affiliate or associate of any such Person, Persons or Group.

(p) **“Successor Entity”** means one or more Person or Persons (or, if so elected by the Holder, the Company or Parent Entity) formed by, resulting from or surviving any Fundamental Transaction or one or more Person or Persons (or, if so elected by the Holder, the Company or the Parent Entity) with which such Fundamental Transaction shall have been entered into.

(q) **“Trading Day”** means any day on which the Common Stock is traded on the Principal Market.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Warrant to Purchase Common Stock to be duly executed as of the Issuance Date set out above.

SONNET BIOTHERAPEUTICS HOLDINGS, INC.

By: _____
Name: _____
Title: _____

EXERCISE NOTICE

TO BE EXECUTED BY THE REGISTERED HOLDER TO EXERCISE THIS
WARRANT TO PURCHASE COMMON STOCK

SONNET BIOTHERAPEUTICS HOLDINGS, INC.

The undersigned holder hereby exercises the right to purchase _____ shares of Common Stock (“**Warrant Shares**”) of Sonnet BioTherapeutics Holdings, Inc., a company organized under the laws of Delaware (the “Company”), evidenced by the attached Warrant to Purchase Common Stock (the “**Warrant**”). Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Warrant.

1. Form of Exercise Price. The Holder intends that payment of the Exercise Price shall be made as:

a “Cash Exercise” with respect to _____ Warrant Shares; and/or

a “Cashless

Exercise” with respect to _____ Warrant Shares.

2. Payment of Exercise Price. In the event that the holder has elected a Cash Exercise with respect to some or all of the Warrant Shares to be issued pursuant hereto, the holder shall pay the Aggregate Exercise Price in the sum of \$ _____ to the Company in accordance with the terms of the Warrant.

3. Delivery of Warrant Shares. The Company shall deliver to the holder Warrant Shares in accordance with the terms of the Warrant.

4. Representations and Warranties. By its delivery of this Exercise Notice, the undersigned represents and warrants to the Company that in giving effect to the exercise evidenced hereby the Holder will not beneficially own in excess of the number of shares of Common Stock (determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended) permitted to be owned under Section 1(f) of this Warrant to which this notice relates.

Date: _____ ,

Name of Registered Holder

By: _____
Name:
Title

ACKNOWLEDGEMENT

The Company hereby acknowledges this Exercise Notice and hereby directs Securities Transfer Corporation to issue the above indicated number of shares of Common Stock on or prior to the applicable Share Delivery Date.

SONNET BIOTHERAPEUTICS HOLDINGS, INC.

By: _____

Name: _____

Title: _____

EXECUTIVE EMPLOYMENT AGREEMENT

THE EXECUTIVE EMPLOYMENT AGREEMENT (the "Agreement"), dated as of March 28, 2020 and effective as of the Effective Date (as defined below) is by and between SUSAN DEXTER (the "Executive") and SONNET BIOTHERAPEUTICS, INC., a New Jersey corporation (the "Company").

WHEREAS, the Executive will serve as the Chief Technology Officer of the Company; and

WHEREAS, the Company is a party to that certain Agreement and Plan of Merger (the "Merger Agreement") by and among Chanticleer Holdings, Inc., a Delaware corporation ("Chanticleer"), Biosub, Inc, a Delaware corporation and wholly-owned subsidiary of Chanticleer, and the Company, pursuant to which Biosub, Inc. will be merged with and into the Company in a transaction (the "Merger") pursuant to which the Company will become a wholly-owned subsidiary of Chanticleer, which will change its name to Sonnet BioTherapeutics Holdings, Inc. and is referred to in this Agreement as the "Public Company"; and

WHEREAS, this Agreement shall become effective on the date that the Merger is consummated (the "Effective Date"); and

WHEREAS, on December 11, 2019, the Compensation Committee of the Board of Directors of the Company (the "Board") approved the employment of the Executive as its Chief Technical Officer (CTO) with certain compensation and benefits specified in this Agreement in consideration of the Executive's services; and

WHEREAS, the Executive agrees to be retained by the Company in such capacity in consideration of such compensation and benefits on the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, the Company and the Executive agree to the following:

1.0 Employment by the Company.

1.1 Position. Subject to the terms and conditions set forth in this Agreement, the Company agrees to employ the Executive in the position of Chief Technology Officer, and the Executive hereby accepts such employment on the terms and conditions set forth in this Agreement. This Agreement shall become effective on the Effective Date.

1.2 Duties. As Chief Technology Officer, the Executive will report to the President and Chief Executive Officer of the Company (the "CEO"), performing such duties that are normally associated with her position and such duties as are assigned to him from time to time consistent with that position, subject to the oversight and direction of the CEO. During the term of the Executive's employment with the Company, the Executive will work on a full-time basis for the Company and will devote her best efforts and substantially all her business time and attention to the business of the Company. The Executive shall travel on behalf of the Company as may be necessary or advisable for the best interests of the Company.

1.3 Company Policies and Benefits. The employment relationship between the parties shall also be subject to the Company's personnel policies and procedures as they may be interpreted, adopted, revised or deleted from time to time in the Company's sole discretion. The Company will provide the Executive and her family with comprehensive health insurance benefits (or reimburse him for purchasing such insurance) at the Company's expense. The Company reserves the right to change, alter, or terminate any benefit plan in its sole discretion. Notwithstanding the foregoing, in the event that the terms of this Agreement differ from or are in conflict with the Company's general employment policies or practices, this Agreement shall control. There shall be no Company 401(k) plan unless adopted by the Board in future. The Executive shall be eligible to participate in all qualified and non-qualified savings and retirement plans and other compensation benefit plans and programs made generally available to other employees of the Company.

1.4 Vacation. During the term of this Agreement, the Executive shall receive four (4) weeks of vacation per full calendar year (prorated for any partial calendar year of employment), subject to the Company's vacation policies and procedures as in effect or amended from time to time, which vacation time shall accrue pro-rata on a pay period basis. The Executive may not carryover any earned but unused vacation time from any calendar year to any subsequent calendar year unless otherwise expressly permitted by applicable Company policies or the Board.

2.0 Compensation.

2.1 Base Salary. The Company shall compensate the Executive for her services under this Agreement at the annual rate of Three Hundred Thousand Dollars (\$310,000) (the "Base Salary"), payable in bi-weekly installments, with the pay periods subject to adjustment by the Company in its sole discretion, and subject to applicable federal and state payroll withholding requirements.

2.2 Performance Bonus. The Company will pay to the Executive a bonus (the "Performance Bonus") of up to thirty five percent (35%) of her Base Salary that will be determined based upon performance compared to one or more target metrics established annually by the Compensation Committee of the Board, or the full Board, in their sole discretion and communicated to the Executive in writing promptly after such determination. The Performance Bonus will be paid subject to applicable federal and state payroll withholding requirements.

2.3 Stock Options. Upon the adoption of a stock option plan by the Public Company, which may constitute a component of a broader-based equity compensation plan, the Public Company will award to the Executive options to purchase that number of shares of the Public Company equal to 0.80% of the outstanding shares of common stock of the Public Company at the time of the Merger, rounded up to the nearest 500 shares. Such options shall have an exercise price equal to the market value per share of the Public Company's common stock at the time of the grant and be subject to a three (3)-year vesting schedule.

2.4 Expense Reimbursement. The Company will reimburse Executive for her reasonable business expenses in accordance with the Company's standard expense reimbursement policy, as the same may be modified by the Company from time to time. The reimbursement will apply to all customary and appropriate business-related expenses actually incurred and documented in

accordance with Company policy, as in effect from time to time. For the avoidance of doubt, to the extent that any reimbursements payable to Executive, are subject to the provisions of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"): (a) any such reimbursements will be paid no later than December 31 of the year following the year in which the expense was incurred, (b) the amount of expenses reimbursed in one year will not affect the amount eligible for reimbursement in any subsequent year, and (c) the right to reimbursement under this Agreement will not be subject to liquidation or exchange for another benefit.

3.0 Proprietary Information, Inventions, Non-Competition and Non-Solicitation Obligations. As a condition of employment, the Executive agrees to execute and abide by an Employee Proprietary Information, Inventions, Non-Competition and Non-Solicitation Agreement attached as Exhibit A (the "Proprietary Information Agreement"), which may be amended by the parties from time to time without regard to this Agreement. The Proprietary Information Agreement contains provisions that are intended by the parties to survive and do survive termination of this Agreement.

4.0 Termination of Employment. The parties acknowledge that the Executive's employment relationship with the Company is at-will, meaning either the Company or the Executive may terminate the Executive's employment at any time, with or without cause or advance notice. The provisions in this Section 4.0 govern the amount of compensation, if any, to be provided to the Executive upon termination of employment and do not alter her at-will status.

4.1 Termination by the Company without Cause or termination by the Executive for Good Reason.

a. The Company shall have the right to terminate Executive's employment with the Company pursuant to this Section 4.1 at any time, in accordance with Section 4.6, without "Cause" (as defined in Section 4.3(b) below) by giving notice as described in Section 5.1 of this Agreement. A termination pursuant to Section 4.5 below is not a termination without "Cause" for purposes of receiving the benefits described in Sections 4.1 or Section 4.2.

b. In the event that the Company terminates Executive's employment at any time without Cause or Executive terminates her employment with the Company for Good Reason and provided that such termination constitutes a "separation from service" (as defined under Treasury Regulation Section 1.409A-1(h), without regard to any alternative definition thereunder (a "Separation from Service"), then the Executive shall be entitled to receive the Accrued Obligations (defined below). If the Executive complies with the obligations in Section 4.1(c) below, the Executive shall also be eligible to receive the following "Severance Benefits":

i. The Company will pay Executive an amount equal to Executive's then current Base Salary for nine (9) months, less all applicable withholdings and deductions, paid in equal installments on the Company's normal payroll schedule following the termination date, with the first payment beginning on the Severance Pay Commencement Date (as defined in Section 4.1(c) below), and the remaining installments occurring on the Company's regularly scheduled payroll dates thereafter; provided that on the Severance Pay Commencement Date, the Company will pay in a lump sum the aggregate amount of the cash severance payments that the Company would have paid Executive through such date had the payments commenced on the effective

date of termination through the Severance Pay Commencement Date.

ii. The Company will pay any performance bonus for the performance year in which Executive's termination occurs. This bonus will be payable subject to standard federal and state payroll withholding requirements in a lump sum payment on the Severance Pay Commencement Date.

iii. The Company will accelerate the time-based vesting and be deemed to be satisfied as of the date of the Executive's termination.

iv. If the Executive is enrolled in the Company's health insurance plan at the time of a Separation of Service and timely elects continued coverage under COBRA for himself and her covered dependents under the Company's group health plans following such termination, then the Company shall pay the COBRA premiums necessary to continue Executive's and her covered dependents' health insurance coverage in effect for himself (and her covered dependents) on the termination date until the earliest of: (i) twelve (12) months following the termination date (the "COBRA Severance Period"); (ii) the date when Executive becomes eligible for substantially equivalent health insurance coverage in connection with new employment or self-employment; or (iii) the date Executive ceases to be eligible for COBRA continuation coverage for any reason, including plan termination (such period from the termination date through the earlier of (i)-(iii), (the "COBRA Payment Period"). Notwithstanding the foregoing, if at any time the Company determines that its payment of COBRA premiums on Executive's behalf would result in a violation of applicable law (including, but not limited to, the 2010 Patient Protection and Affordable Care Act, as amended by the 2010 Health Care and Education Reconciliation Act), then in lieu of paying COBRA premiums pursuant to this Section, the Company shall pay Executive on the last day of each remaining month of the COBRA Payment Period, a fully taxable cash payment equal to the COBRA premium for such month, subject to applicable tax withholding (such amount, the "Special Severance Payment"), for the remainder of the COBRA Payment Period. Nothing in this Agreement shall deprive Executive of her rights under COBRA or ERISA for benefits under plans and policies arising under her employment by the Company.

c. The Executive will be paid all the Accrued Obligations on the Company's first payroll date after the Executive's date of termination from employment or earlier if required by law. The Executive shall receive the Severance Benefits pursuant to Section 4.1 (b) or the Change in Control Severance Benefits (defined below) pursuant to 4.2 (a) of this Agreement, as applicable, if: (i) the Executive executes and does not revoke a separation agreement containing an effective, general release of claims in favor of the Company and its affiliates and representatives, in a form acceptable to the Company (the "Release") and the Release is enforceable and effective as provided in the Release on or before the date that is the sixtieth (60th) day following the effective date of termination (such 60th day, the "Severance Pay Commencement Date"); (ii) he holds any other positions with the Company, he resigns such position(s) to be effective no later than the date of Executive's termination date (or such other date as requested by the Board); (iii) he returns all Company property; (iv) he complies with her post-termination obligations under this Agreement and the Proprietary Information Agreement; and (v) he complies with the terms of the Release, including without limitation any non-disparagement and confidentiality provisions contained in Release.

d. For purposes of this Agreement, "Accrued Obligations" are (i) the Executive's accrued but unpaid Base Salary through the date of termination, including vacation time (ii) any unreimbursed business expenses incurred by Executive payable in accordance with the Company's standard expense reimbursement policies, and (iii) benefits owed to Executive under any qualified retirement plan or health and welfare benefit plan in which Executive was a participant in accordance with applicable law and the provisions of such plan (iv) acceleration of time-based vested stock.

e. The Severance Benefits provided to Executive pursuant to this Section 4.1 are in lieu of, and not in addition to, any benefits to which Executive may otherwise be entitled under any Company severance plan, policy or program.

f. Any damages caused by the termination of Executive's employment without Cause would be difficult to ascertain; therefore, the Severance Benefits for which Executive is eligible pursuant to Section 4.1 (b) above in exchange for the Release is agreed to by the parties as liquidated damages, to serve as full compensation, and not a penalty.

g. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following events without Executive's consent: (i) any reduction of twenty-five percent (25%) or more in the Executive's Base Salary; (ii) a material breach of this Agreement by the Company; (iii) a material reduction in the Executive's duties, authority and responsibilities relative to the Executive's duties, authority, and responsibilities in effect immediately prior to such reduction; or (iv) the relocation of Executive's principal place of employment, without Executive's consent, in a manner that lengthens her one-way commute distance by twenty-five (25) or more miles from her then-current principal place of employment immediately prior to such relocation; provided, however, that, any such termination by Executive shall only be deemed for Good Reason pursuant to this definition if: (1) Executive gives the Company written notice of her intent to terminate for Good Reason within thirty (30) days following the first occurrence of the condition(s) that he believes constitute(s) Good Reason, which notice shall describe such condition(s); (2) the Company fails to remedy such condition(s) within thirty (30) days following receipt of the written notice (the "Cure Period"); and (3) Executive voluntarily terminates her employment within thirty (30) days following the end of the Cure Period.

4.2 Termination by the Company without Cause or by Executive for Good Reason Coincident with a Change in Control.

a. If Executive's employment by the Company is terminated by the Company or any successor entity without "Cause" (and not due to Disability or death) or by Executive for Good Reason within two (2) months prior to or within twelve (12) months following the effective date of a "Change in Control" (as defined in the Company's Equity Incentive Plan, as such plan may be amended from time to time), provided that such termination constitutes a Separation from Service, without regard to any alternative definition thereunder, then in addition to paying or providing Executive with the Accrued Obligations and subject to compliance with Section 4.1 (c), the Company will provide the following "Change in Control Severance Benefits":

i. The Company will pay Executive an amount equal to Executive's then current Base Salary for twelve (12) months, less all applicable withholdings and deductions, paid in equal installments on the Company's normal payroll schedule following the date of Separation from Service, with the

first payment beginning on the Severance Pay Commencement Date, and the remaining installments occurring on the Company's regularly scheduled payroll dates thereafter; provided that on the Severance Pay Commencement Date, the Company will pay in a lump sum the aggregate amount of the cash severance payments that the Company would have paid Executive through such date had the payments commenced on the effective date of termination through the Severance Pay Commencement Date.

ii. The Company will pay performance bonus for the performance year in which Executive's termination occurs. This bonus will be payable subject to standard federal and state payroll withholding requirements in a lump sum payment on the Severance Pay Commencement Date.

iii. If the Executive is enrolled in the Company's health insurance plan at the time of a Separation of Service and timely elects continued coverage under COBRA for himself and her covered dependents under the Company's group health plans following such termination, then the Company shall pay the COBRA premiums necessary to continue Executive's and her covered dependents' health insurance coverage in effect for himself (and her covered dependents) on the termination date until the earliest of: (i) eighteen (18) months following the termination date (the "COBRA Severance Period"); (ii) the date when Executive becomes eligible for substantially equivalent health insurance coverage in connection with new employment or self-employment; or (iii) the date Executive ceases to be eligible for COBRA continuation coverage for any reason, including plan termination (such period from the termination date through the earlier of (i)-(iii), (the "COBRA Payment Period"). Notwithstanding the foregoing, if at any time the Company determines that its payment of COBRA premiums on the Executive's behalf would result in a violation of applicable law (including, but not limited to, the 2010 Patient Protection and Affordable Care Act, as amended by the 2010 Health Care and Education Reconciliation Act), then in lieu of paying COBRA premiums pursuant to this Section, the Company shall pay Executive on the last day of each remaining month of the COBRA Payment Period, a fully taxable cash payment equal to the COBRA premium for such month, subject to applicable tax withholding (such amount, the Special Severance Payment"), for the remainder of the COBRA Payment Period. Nothing in the Agreement shall deprive Executive of her rights under COBRA or ERISA for benefits under plans and policies arising under her employment by the Company.

iv. Notwithstanding the terms of any equity plan or award agreement to the contrary, the time-based vesting conditions applicable to all of Executive's outstanding stock options and/or other equity awards subject to time-based vesting requirements as of Executive's termination date shall vest as follows: (A) if such termination occurs within two (2) months prior to or on the effective date of a Change in Control, the time-based vesting shall accelerate and be deemed to be satisfied as of the date of Executive's termination, and (B) if such termination occurs within twelve (12) months following the effective date of a Change in Control, in the event any surviving corporation or acquiring corporation assumes Executive's stock options and/or other equity awards, as applicable, or substitutes similar stock options or equity awards for Executive's stock options and/or equity awards, as applicable, in accordance with the terms of the Company's equity incentive plans, the time-based vesting of all of such stock options and/or equity awards (or any substitute stock options or equity awards), as applicable, shall be accelerated in full as of the date of termination. For the avoidance of doubt, the accelerated vesting provided under this Section 4.2(a)(iii) shall not apply to any liquidity event or performance-based vesting conditions applicable to any of Executive's outstanding stock options and/or other equity awards as of the date of termination.

b. The Change in Control Severance Benefits provided to Executive pursuant to this Section 4.2 are in lieu of, and not in addition to, any benefits to which Executive may otherwise be entitled under any Company severance plan, policy or program, including but not limited to the Severance Benefits described in Section 4.1(b). For the avoidance of doubt, in no event shall Executive be entitled to benefits under both Section 4.1(b) and this Section 4.2. If Executive is eligible for benefits under both Section 4.1(b) and this Section 4.2, or if Executive begins receiving benefits under Section 4.1(b) and later becomes eligible for benefits under Section 4.2, Executive shall receive the benefits set forth in this Section 4.2 and such benefits will be reduced by any benefits previously provided to Executive under Section 4.1(b).

c. Any damages caused by the termination of the Executive's employment without Cause or for Good Reason following a Change in Control would be difficult to ascertain; therefore, the Change in Control Severance Benefits for which Executive is eligible pursuant to Section 4.2(a) above in exchange for the Release is agreed to by the parties as liquidated damages, to serve as full compensation, and not as a penalty.

4.3 Termination by the Company for Cause.

a. The Company shall have the right to terminate Executive's employment with the Company at any time, in accordance with Section 4.6, for Cause by giving notice as described in Section 5.1 of this Agreement. In the event Executive's employment is terminated at any time for Cause, Executive will not receive Severance Benefits, Change in Control Severance Benefits, or any other severance compensation or benefits, except that, pursuant to the Company's standard payroll policies, the Company shall pay to Executive the Accrued Obligations.

b. "Cause" for termination shall mean that the Company has determined in its sole discretion that Executive has engaged in any of the following: (i) a material breach of any covenant or condition under this Agreement or any other agreement between the parties after the expiration of ten (10) days without a plan to cure after written notice of such breach; (ii) any act constituting dishonesty, fraud, immoral or disreputable conduct; (iii) any conduct which constitutes a felony under applicable law; (iv) material violation of any Company policy or any act of misconduct; (v) refusal to follow or implement a clear and reasonable directive of Company; (vi) negligence or incompetence in the performance of Executive's duties or failure to perform such duties in a manner satisfactory to the Company after the expiration of thirty(30) days without cure after written notice of such failure; or (vii) breach of fiduciary duty

4.4 Resignation by Executive.

a. Executive may resign from Executive's employment with the Company at any time, in accordance with Section 4.6, by giving notice as described in Section 5.1.

b. In the event Executive resigns from Executive's employment with the Company for any reason other than Good Reason in accordance with Sections 4.1 or 4.2, Executive will not receive Severance Benefits, Change in Control Severance Benefits, or any other severance compensation or benefits, except that, pursuant to the Company's standard payroll policies, the Company shall pay to Executive the Accrued Obligations.

4.5 Termination by Virtue of Death or Disability of Executive.

a. In the event of Executive's death while employed pursuant to this Agreement, all obligations of the parties hereunder shall terminate immediately, in accordance with Section 4.6, and the Company shall, pursuant to the Company's standard payroll policies, pay to Executive's legal representatives all Accrued Obligations.

b. Subject to applicable state and federal law, the Company shall at all times have the right, upon written notice to Executive, and in accordance with Section 4.6, to terminate this Agreement based on Executive's Disability. Termination by the Company of Executive's employment based on "Disability" shall mean termination because Executive is unable due to a physical or mental condition to perform the essential functions of her position with or without reasonable accommodation for 180 days in the aggregate during any twelve (12) month period or based on the written certification by two licensed physicians of the likely continuation of such condition for such period. This definition shall be interpreted and applied consistent with the Americans with Disabilities Act, the Family and Medical Leave Act, and other applicable law. In the event Executive's employment is terminated based on Executive's Disability, Executive will not receive Severance Benefits, Change in Control Severance Benefits, or any other severance compensation or benefit, except that, pursuant to the Company's standard payroll policies, the Company shall pay to Executive the Accrued Obligations.

4.6 Notice; Effective Date of Termination.

- a. Termination of Executive's employment pursuant to this Agreement shall be effective on the earliest of:
- i. immediately after the Company gives notice to Executive of Executive's termination, with or without Cause, unless pursuant to Section 4.3(b)(vi) in which case ten (10) business days after notice if not cured or unless the Company specifies a later date, in which case, termination shall be effective as of such later date;
 - ii. immediately upon the Executive's death;
 - iii. ten (10) days after the Company gives notice to Executive of Executive's termination on account of Executive's Disability, unless the Company specifies a later date, in which case, termination shall be effective as of such later date, provided that Executive has not returned to the full-time performance of Executive's duties prior to such date;
 - iv. ten (10) days after the Executive gives written notice to the Company of Executive's resignation, provided that the Company may set a termination date at any time between the date of notice and the date of resignation, in which case the Executive's resignation shall be effective as of such other date. Executive will receive compensation through any required notice period; or
 - v. for a termination for Good Reason, immediately upon the Executive's full satisfaction of the requirements of Section 4.1(g).

b. In the event notice of a termination under subsections (a)(i) or (iii) is given orally, at the other party's request, the party giving notice must provide written confirmation of such notice within five (5) business days of the request in compliance with the requirement of Section 5.1 below. In the event of a termination for Cause, written confirmation shall specify the subsection(s) of the definition of Cause relied on to support the decision to terminate.

4.7 Cooperation with Company after Termination of Employment.

Following termination of the Executive's employment for any reason, the Executive agrees to cooperate fully with the Company in connection with its actual or contemplated defense, prosecution, or investigation of any claims or demands by or against third parties, or other matters arising from events, acts, or failures to act that occurred during the period of Executive's employment by the Company. Such cooperation includes, without limitation, making Executive available to the Company upon reasonable notice, without subpoena, to provide complete, truthful and accurate information in witness interviews, depositions and trial testimony. In addition, for twelve (12) months after Executive's employment with the Company ends for any reason, Executive agrees to reasonably cooperate fully with the Company in all matters relating to the transition of Executive's work and responsibilities on behalf of the Company, including, but not limited to, any present, prior or subsequent relationships and the orderly transfer of any such work and institutional knowledge to such other persons as may be designated by the Company. The Company will reimburse Executive for reasonable out-of-pocket expenses Executive incurs in connection with any such cooperation (excluding forgone wages, salary, or other compensation but including reasonable travel, lodging, meal expenses and legal fees and in addition, the Executive shall be entitled to a per diem amount for his services equal to her most recent annualized Base Salary under this Agreement, and will make reasonable efforts to accommodate Executive's scheduling needs.

4.8 Application of Section 409A.

It is intended that all of the severance payments payable under this Agreement satisfy, to the greatest extent possible, the exemptions from the application of Section 409A of the Code and the regulations and other guidance thereunder and any state law of similar effect (collectively, "Section 409A") provided under Treasury Regulations Sections 1.409A-1 (b)(4) and 1.409A-1(b)(9), and this Agreement will be construed in a manner that complies with Section 409A. If not so exempt, this Agreement (and any definitions hereunder) will be construed in a manner that complies with Section 409A and incorporates by reference all required definitions and payment terms. No severance payments will be made under this Agreement unless the Executive's termination of employment constitutes a "separation from service" (as defined under Treasury Regulation Section 1.409A-1(h)). For purposes of Section 409A (including, without limitation, for purposes of Treasury Regulations Section 1.409A-2(b)(2)(iii)), Executive's right to receive any installment payments under this Agreement (whether severance payments or otherwise) shall be treated as a right to receive a series of separate payments and, accordingly, each installment payment hereunder shall at all times be considered a separate and distinct payment. If the Company determines that the severance benefits provided under this Agreement constitutes "deferred compensation" under Section 409A and if Executive is a "specified employee" of the Company, as such term is defined in Section 409A(a)(2)(B)(i) of the Code at the time of Executive's Separation from Service, then, solely to the extent necessary to avoid the incurrence of the adverse personal tax consequences under Section

409A, the timing of the Severance will be delayed as follows: on the earlier to occur of (a) the date that is six months and one day after Executive's Separation from Service, and (b) the date of Executive's death (such earlier date, the "Delayed Initial Payment Date"), the Company will (i) pay to Executive a lump sum amount equal to the sum of the severance benefits that Executive would otherwise have received through the Delayed Initial Payment Date if the commencement of the payment of the severance benefits had not been delayed pursuant to this Section 6.8 and (ii) commence paying the balance of the severance benefits in accordance with the applicable payment schedule set forth in Section 6. No interest shall be due on any amounts deferred pursuant to this Section 6.8. To the extent that any Severance Benefits are deferred compensation under Section 409A of the Code and are not otherwise exempt from the application of Section 409A, then, if the period during which Executive may consider and sign the Release spans two calendar years, the payment of any such Severance Benefit will not be made or begin until the later calendar year.

4.9 Indemnification.

The Company shall indemnify Executive, to the maximum extent permitted by applicable law, against all costs, charges and expenses incurred or sustained by Executive in connection with any action, suit or proceeding (or threatened action, suit or proceeding) to which Executive might be a party by reason of being an officer, Director, or employee of the Company or of any subsidiary or Affiliate of the Company. The Company shall provide, at its expense, Directors and Officers insurance for Executive in amounts reasonably satisfactory to Executive, to the extent such insurance is available at reasonable rates, which determination shall be made by the Board of Directors. ("Affiliate") shall mean and include any person, corporation or other entity controlling, controlled by or under common control with the corporation in question.

4.10 Legal Fees and Expenses.

If any contest or dispute shall arise between the Company and the Executive regarding any provision of this Agreement, the Company shall reimburse the Executive for all legal fees and expenses reasonably incurred by the executive in connection with such contest or dispute, but only if the Executive prevails to a substantial extent with respect to the Executive's claims brought and pursued in connection with such contest or dispute. Such reimbursement shall be made as soon as practicable following the resolution of such contest or dispute (whether or not appealed) to the extent the Company receives reasonable written evidence of such fees and expenses.

4.11 Section 280G.

Notwithstanding any other provision of this Agreement to the contrary, if payments made or benefits provided pursuant to this Agreement or otherwise from the Company or any person or entity are considered "parachute payments" under Section 280G of the Code, then such parachute payments will be limited to the greatest amount that may be paid to Executive under Section 280G of the Code without causing any loss of deduction to the Company Group under such section, but only if, by reason of such reduction, the net after tax benefit to Executive will exceed the net after tax benefit if such reduction were not made. "Net after tax benefit" for purposes of this Agreement will mean the sum of (i) the total amounts payable to the Executive under this Agreement, plus (ii) all other payments and benefits which the Executive receives or then is entitled to receive from the Company or otherwise that would constitute a "parachute payment" within the meaning of Section 280G of the Code, less (iii) the amount of federal and state income taxes payable with respect to the foregoing calculated at the maximum marginal income tax rate for each year in which the foregoing

will be paid to Executive (based upon the rate in effect for such year as set forth in the Code at the time of termination of Executive's employment), less (iv) the amount of excise taxes imposed with respect to the payments and benefits described in (i) and (ii) above by Section 4999 of the Code. The determination as to whether and to what extent payments are required to be reduced in accordance with this Section 6.9 will be made at the Company's expense by a nationally recognized certified public accounting firm as may be designated by the Company prior to a change in control (the "Accounting Firm"). In the event of any mistaken underpayment or overpayment under this Agreement, as determined by the Accounting Firm, the amount of such underpayment or overpayment will forthwith be paid to Executive or refunded to the Company, as the case may be, with interest at one hundred twenty (120%) of the applicable Federal rate provided for in Section 7872(f)(2) of the Code. Any reduction in payments required by this Section 6.9 will occur in the following order: (1) any cash severance, (2) any other cash amount payable to Executive, (3) any benefit valued as a "parachute payment," (4) the acceleration of vesting of any equity awards that are options, and (5) the acceleration of vesting of any other equity awards. Within any such category of payments and benefits, a reduction will occur first with respect to amounts that are not "deferred compensation" within the meaning of Section 409A and then with respect to amounts that are. In the event that acceleration of compensation from equity awards is to be reduced, such acceleration of vesting will be canceled, subject to the immediately preceding sentence, in the reverse order of the date of grant.

5.0 General Provisions.

5.1 Notices. Any notices required or permitted under this Agreement to be in writing shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by electronic mail or confirmed facsimile if sent during normal business hours of the recipient, and if not, then on the next business day, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the Company at its primary office location and to the Executive at either the Executive's address as listed on the Company's payroll records, or the Executive's Company-issued email address, or at such other address as the Company or Executive may designate by ten (10) days advance written notice to the other.

5.2 Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction. In such event, this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provisions had never been contained in this Agreement.

5.3 Survival. Provisions of this Agreement that by their terms must survive the termination of this Agreement in order to effectuate the intent of the parties will survive any such termination for such period as may be appropriate under the circumstances.

5.4 Waiver. If either party should waive any breach of any provisions of this Agreement, it shall not thereby be deemed to have waived any preceding or succeeding breach of the same or any

other provision of this Agreement.

5.5 Complete Agreement. This Agreement constitutes the entire agreement between Executive and the Company with regard to the subject matter hereof. This Agreement is the complete, final, and exclusive embodiment of their agreement with regard to this subject matter and supersedes any prior oral discussions or written communications and agreements, including any prior employment agreement between the parties. This Agreement is entered into without reliance on any promise or representation other than those expressly contained herein, and it cannot be modified or amended except in writing signed by Executive and an authorized officer of the Company. The parties have entered into a separate Proprietary Information Agreement and have or may enter into separate agreements related to the stock options. These separate agreements govern other aspects of the relationship between the parties, have or may have provisions that survive termination of Executive's employment under this Agreement, may be amended or superseded by the parties without regard to this Agreement and are enforceable according to their terms without regard to the enforcement provision of this Agreement.

5.6 Counterparts. This Agreement may be executed in separate counterparts, any one of which need not contain signatures of more than one party, but all of which taken together will constitute one and the same Agreement. The parties agree that facsimile and scanned image copies of signatures will suffice as original signatures.

5.7 Withholding Taxes. The Company will be entitled to withhold from any payment due to Executive under this Agreement any amounts required to be withheld by applicable tax laws or regulations.

5.8 Headings. The headings of the sections hereof are inserted for convenience only and shall not be deemed to constitute a part hereof nor to affect the meaning thereof.

5.9 Successors and Assigns. The Company shall assign this Agreement and its rights and obligations hereunder in whole, but not in part, to any company or other entity with or into which the Company may hereafter merge or consolidate or to which the Company may transfer all or substantially all of its assets, if in any such case said Company or other entity shall by operation of law or expressly in writing assume all obligations of the Company hereunder as fully as if it had been originally made a party hereto, but may not otherwise assign this Agreement or its rights and obligations hereunder. The Executive may not assign or transfer this Agreement or any rights or obligations hereunder, other than to her estate upon her death.

5.10 Choice of Law. All questions concerning the construction, validity and interpretation of this Agreement will be governed by the laws of the State of New Jersey.

5.11 Dispute Resolution. The parties recognize that litigation in federal or state courts or before federal or state administrative agencies of disputes arising out of the Executive's employment with the Company or out of this Agreement, or the Executive's termination of employment or termination of this Agreement, may not be in the best interests of either the Executive or the Company, and may result in unnecessary costs, delays, complexities, and uncertainty. The parties agree that any dispute between the parties arising out of or relating to the negotiation, execution, performance or termination of this Agreement or the Executive's employment, including, but not

limited to, any claim arising out of this Agreement, claims under Title VII of the Civil Rights Act of 1964, as amended, the Civil Rights Act of 1991, the Age Discrimination in Employment Act of 1967, the Americans with Disabilities Act of 1990, Section 1981 of the Civil Rights Act of 1966, as amended, the Family Medical Leave Act, the Executive Retirement Income Security Act, and any similar federal, state or local law, statute, regulation, or any common law doctrine, whether that dispute arises during or after employment, shall be settled by binding arbitration in accordance with the National Rules for the Resolution of Employment Disputes of the American Arbitration Association; provided however, that this dispute resolution provision shall not apply to any separate agreements between the parties that do not themselves specify arbitration as an exclusive remedy. The location for the arbitration shall be the Princeton, New Jersey area. Any award made by such panel shall be final, binding and conclusive on the parties for all purposes, and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. The arbitrators' fees and expenses and all administrative fees and expenses associated with the filing of the arbitration shall be borne by the Company; provided however, that at the Executive's option, the Executive may voluntarily pay up to one-half the costs and fees. The parties acknowledge and agree that their obligations to arbitrate under this Section survive the termination of this Agreement and continue after the termination of the employment relationship between Executive and the Company. The parties each further agree that the arbitration provisions of this Agreement shall provide each party with its exclusive remedy, and each party expressly waives any right it might have to seek redress in any other forum, except as otherwise expressly provided in this Agreement. By electing arbitration as the means for final settlement of all claims, the parties hereby waive their respective rights to, and agree not to, sue each other in any action in a Federal, State or local court with respect to such claims, but may seek to enforce in court an arbitration award rendered pursuant to this Agreement. The parties specifically agree to waive their respective rights to a trial by jury, and further agree that no demand, request or motion will be made for trial by jury.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

SONNET BIOTHERAPEUTICS, INC.

By: _____
Name: Pankaj Mohan, Ph.D.
Title: President & Chief Executive Officer

EXECUTIVE:

Susan Dexter

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Sonnet BioTherapeutics, Inc.:

We consent to the incorporation by reference in the registration statements (No. 333-214319 and No. 333-230857) on Form S-1, registration statements (No. 333-226107, No. 333-220336, and No. 333-237354) on Form S-3, and registration statement (No. 333-193742) on Form S-8 of Chanticleer Holdings, Inc. of our report dated November 27, 2019, with respect to the balance sheets of Sonnet BioTherapeutics, Inc. as of September 30, 2019 and 2018, the related statements of operations, stockholders' deficit, and cash flows for the years then ended, and the related notes, which report appears in the Form 8-K of Chanticleer Holdings, Inc. dated April 2, 2020.

Our report dated November 27, 2019 contains an explanatory paragraph that states that Sonnet BioTherapeutics, Inc. has incurred recurring losses and negative cash flows from operations from inception, has a stockholders' deficit of \$2,845,487 as of September 30, 2019, and will require substantial additional financing to continue to fund its research and development activities that raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ KPMG LLP

Philadelphia, Pennsylvania
April 2, 2020

Consent Of Independent Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on (i) Form S-1 (File Nos. 333-214319, 333-230857), (ii) Form S-3 (File Nos. 333-226107, 333-220336, 333-237354), and (iii) Form S-8 (File No. 333-193742) of our report dated March, 20, 2020, on the financial statements of Relief Therapeutics SA as of December 31, 2019 and 2018 and for the years then ended, which appears in this Current Report on Form 8-K of Sonnet Biotherapeutics Holdings, Inc. (to be filed on April 2, 2020). Our report on the financial statements of Relief Therapeutics SA includes an explanatory paragraph about the existence of substantial doubt concerning its ability to continue as a going concern.

/s/ Mazars SA

/s/ Franck Paucod

Franck Paucod
Swiss CPA

Geneva
April 2, 2020

/s/ Vincent Pichard

Vincent Pichard
US CPA

Sonnet BioTherapeutics Holdings Announces Merger Closing

- Trading under “SONN” on the Nasdaq Capital Market to begin April 2, 2020
- Closed \$19 million financing

PRINCEON, N.J., April 1, 2020 (GLOBE NEWSWIRE) – Sonnet BioTherapeutics Holdings, Inc., (Nasdaq: SONN), formerly known as Chanticleer Holdings, Inc., (the “Company”), a biopharmaceutical company developing innovative, targeted biologic drugs with enhanced single or bispecific mechanisms of action, today announced that its merger with Sonnet BioTherapeutics, Inc. (“Sonnet”) closed April 1, 2020. The combined company will operate under the name Sonnet BioTherapeutics Holdings, Inc., and its shares will commence trading on the Nasdaq Capital Market on April 2, 2020, under the ticker symbol “SONN”.

Pursuant to the merger, all of Sonnet’s outstanding shares of common stock and securities convertible into or exercisable for Sonnet’s common stock were converted into the Company’s common stock and securities convertible into or exercisable for the Company’s common stock. As a result of the merger, approximately 9,202,000 shares of the Company were outstanding as of April 1, 2020, after taking into account the previously announced 26-for-1 reverse stock split that became effective on April 1, 2020. Sonnet will operate as a wholly-owned subsidiary of the Company.

Immediately prior to the merger, Sonnet completed a private placement financing resulting in gross proceeds of \$19 million under the terms of the securities purchase agreement previously announced in February 2020. In addition, immediately prior to the merger, Sonnet completed its acquisition of the global development rights for Atexakin Alfa (low dose formulation of Interleukin-6, IL-6, now “SON-080”) from Relief Therapeutics SA (“Relief”), through the issuance of shares of Sonnet common stock that converted into an aggregate of 757,933 shares of Company common stock in the merger. The Company will pursue the clinical development of SON-080 for the treatment of Peripheral Neuropathies focusing primarily on Chemotherapy-Induced Peripheral Neuropathy (CIPN).

In addition, in connection with the merger, the Company completed the spin-off of its restaurant operations to Amergent Hospitality Group, Inc. on April 1, 2020.

Pankaj Mohan, Ph.D., the Company’s Chief Executive Officer and the founder of Sonnet commented, “The closing of the merger transaction signifies an important milestone for Sonnet. We are excited about the funding that we have secured through respected institutional biotech investors which we believe will enable us to advance our pipeline and clinical programs.”

John Cini, Ph.D., the Company’s Chief Scientific Officer and a co-founder of Sonnet, added, “We are now at a point where we can advance the execution of our platform, which we believe can generate a new wave of immune therapeutics for cancer indications, with the potential to expand to other disease areas. We believe our proprietary platform is distinguished by its ability to target drug delivery to the area of therapeutic need while also providing higher residence time in the body. Together, we believe these features have the potential to enable therapeutics to treat cancer and other diseases in a way that provides high efficacy with low toxicity.”

A Current Report on Form 8-K containing more detailed information regarding the merger transaction and the Company's financing will be filed with the Securities and Exchange Commission.

About Sonnet BioTherapeutics Holdings, Inc.

Founded in 2011, Sonnet is an oncology-focused biotechnology company with a proprietary platform for innovating biologic drugs of single or bispecific action. Known as FHAB™ (Fully Human Albumin Binding), the technology utilizes a fully human single chain antibody fragment (scFv) that binds to and "hitch-hikes" on human serum albumin (HSA) for transport to target tissues. FHAB™ is the foundation of a modular, plug-and-play construct for potentiating a range of large molecule therapeutic classes, including cytokines, peptides, antibodies and vaccines.

Forward-Looking Statements

This press release contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and Private Securities Litigation Reform Act, as amended, including those relating to the Company's product development, clinical and regulatory timelines, market opportunity, competitive position, possible or assumed future results of operations, business strategies, potential growth opportunities and other statements that are predictive in nature. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industry and markets in which we operate and management's current beliefs and assumptions.

These statements may be identified by the use of forward-looking expressions, including, but not limited to, "expect," "anticipate," "intend," "plan," "believe," "estimate," "potential," "predict," "project," "should," "would" and similar expressions and the negatives of those terms. These statements relate to future events or our financial performance and involve known and unknown risks, uncertainties, and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include those set forth in the Company's filings with the Securities and Exchange Commission. Prospective investors are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date of this press release. The Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

Sonnet Biotherapeutics Investor Contact

Alan Lada
Solebury Trout
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alada@soleburytrout.com

SONNET BIOTHERAPEUTICS, INC.

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Sonnet Biotherapeutics, Inc.
Balance Sheets
(unaudited)

	December 31, 2019	September 30, 2019
Assets		
Current assets:		
Cash	\$ 889,493	\$ 35,653
Prepaid expenses other current assets	19,484	4,101
Total current assets	908,977	39,754
Property and equipment	48,414	—
Total assets	\$ 957,391	\$ 39,754
Liabilities and stockholders' deficit		
Current liabilities:		
Related-party notes	\$ 919	\$ 217,380
Accounts payable	3,207,287	1,842,996
Accrued expenses	148,696	824,865
Total liabilities	3,356,902	2,885,241
Commitments (note 7)		
Stockholders' deficit:		
Preferred stock; no par value: 10,000,000 shares authorized; no shares issued or outstanding	—	—
Common stock; no par value: 100,000,000 shares authorized; 53,339,250 and 52,055,250 issued and outstanding at December 31, 2019 and September 30, 2019, respectively	12,509,685	9,594,655
Accumulated deficit	(14,909,196)	(12,440,142)
Total stockholders' deficit	(2,399,511)	(2,845,487)
Total liabilities and stockholders' deficit	\$ 957,391	\$ 39,754

See accompanying notes to unaudited interim financial statements.

Sonnet BioTherapeutics, Inc.
Statements of Operations
(unaudited)

	Three Months Ended December 31,	
	2019	2018
Operating expenses:		
Research and development	\$ 1,408,148	\$ 57,985
General and administrative	1,060,906	98,064
Loss from operations	(2,469,054)	(156,049)
Interest expense	—	(135,998)
Net loss	<u>\$ (2,469,054)</u>	<u>\$ (292,047)</u>
Per share information:		
Net loss per share of common stock, basic and diluted	<u>\$ (0.05)</u>	<u>\$ (0.01)</u>
Weighted average shares outstanding, basic and diluted	<u>52,470,467</u>	<u>48,029,364</u>

See accompanying notes to unaudited interim financial statements.

Sonnet BioTherapeutics, Inc.
Statements of Changes in Stockholders' Deficit
(unaudited)

	<u>Common stock</u>		<u>Accumulated</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>deficit</u>	
Balance at September 30, 2019	52,055,250	\$ 9,594,655	\$ (12,440,142)	\$ (2,845,487)
Sale of common stock, net of issuance cost	1,204,000	2,715,030	—	2,715,030
Issuance of common stock to settle related-party notes	80,000	200,000	—	200,000
Net loss	—	—	(2,469,054)	(2,469,054)
Balance at December 31, 2019	<u>53,339,250</u>	<u>\$ 12,509,685</u>	<u>\$ (14,909,196)</u>	<u>\$ (2,399,511)</u>

	<u>Common stock</u>		<u>Accumulated</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>deficit</u>	
Balance at September 30, 2018	47,104,500	\$ 5,177,655	\$ (7,568,931)	\$ (2,391,276)
Sale of common stock, net of issuance cost	812,500	629,000	—	629,000
Conversion of convertible promissory notes into common stock	1,250,000	1,000,000	—	1,000,000
Issuance of common stock to settle related-party notes	275,000	220,000	—	220,000
Net loss	—	—	(292,047)	(292,047)
Balance at December 31, 2018	<u>49,442,000</u>	<u>\$ 7,026,655</u>	<u>\$ (7,860,978)</u>	<u>\$ (834,323)</u>

See accompanying notes to unaudited interim financial statements.

Sonnet BioTherapeutics, Inc.
Statements of Cash Flows
(unaudited)

	Three Months Ended December 31,	
	2019	2018
Cash flows from operating activities:		
Net loss	\$ (2,469,054)	\$ (292,047)
Adjustments to reconcile net loss to net cash used in operating activities:		
Noncash interest	—	86,233
Change in operating assets and liabilities:		
Prepaid expenses and other current assets	(15,383)	(7,547)
Accounts payable	1,337,625	(99,653)
Accrued expenses	(661,169)	2,742
Net cash used in operating activities	<u>(1,807,981)</u>	<u>(310,272)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(21,748)	—
Net cash used in investing activities	<u>(21,748)</u>	<u>—</u>
Cash flows from financing activities:		
Proceeds from the issuance of common stock, net of issuance costs	2,700,030	629,000
Proceeds received from related-party notes	30,000	2,000
Repayments of related-party notes	(46,461)	(280,554)
Net cash provided by financing activities	<u>2,683,569</u>	<u>350,446</u>
Net increase in cash	853,840	40,174
Cash, beginning of period	35,653	5,419
Cash, end of period	<u>\$ 889,493</u>	<u>\$ 45,593</u>
Supplemental disclosure of non-cash investing and financing activities:		
Conversion of convertible promissory note into common stock	\$ —	\$ 1,000,000
Issuance of common stock to settle related-party notes	\$ 200,000	\$ 220,000
Additions to property and equipment in accounts payable	<u>\$ 26,666</u>	<u>\$ —</u>

See accompanying notes to unaudited interim financial statements.

Sonnet BioTherapeutics, Inc.
Notes to Unaudited Interim Financial Statements

(1) Nature of Business and Liquidity

Sonnet BioTherapeutics, Inc. (the Company or Sonnet) was incorporated as a New Jersey corporation on April 6, 2015. The Company is a clinical stage, oncology-focused biotechnology company with a proprietary platform for innovating biologic medicines of single- or bi-specific action. Known as F_HAB™ (Fully Human Albumin Binding), the technology utilizes a fully human single chain antibody fragment (scFv) that binds to and “hitch-hikes” on human serum albumin (HSA) for transport to target tissues. The Company’s pipeline of therapeutic compounds for oncology indications of high unmet medical need includes lead candidate, SON-080, a fully human version of low dose Interleukin-6 (IL-6) that has successfully completed Phase I clinical trials and will advance to a pilot efficacy study in patients with chemotherapy-induced peripheral neuropathy (CIPN) during 2020.

The Company has incurred recurring losses and negative cash flows from operations activities since inception and it expects to generate losses from operations for the foreseeable future primarily due to research and development costs for its potential product candidates. As of December 31, 2019, the Company had cash of \$889,493 and stockholders deficit of \$2,399,511. The Company believes its cash at December 31, 2019 and the aggregate net proceeds of \$8,855,000 received through April 1 2020 (see Note 8), are sufficient to fund the Company’s projected operations into the third quarter of fiscal 2021.

The Company will require additional capital in the future through equity or debt financings, partnerships, collaborations, or other sources to carry out the Company’s planned development activities. If additional capital is not secured when required, the Company may need to delay or curtail its operations until such funding is received. Various internal and external factors will affect whether and when the Company’s product candidates become approved for marketing and successful commercialization. The regulatory approval and market acceptance of the Company’s products candidates, length of time and cost of developing and commercializing these product candidates and/or failure of them at any stage of the approval process will materially affect the Company’s financial condition and future operations.

Operations since inception have consisted primarily of organizing the Company, securing financing, developing its technologies through performing research and development and conducting preclinical studies. The Company faces risks associated with companies whose products are in development. These risks include the need for additional financing to complete its research and development, achieving its research and development objectives, defending its intellectual property rights, recruiting and retaining skilled personnel, and dependence on key members of management.

(2) Summary of Significant Accounting Policies

(a) Basis of presentation

The accompanying unaudited interim financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information as found in the Accounting Standard Codification (“ASC”) and Accounting Standards Updates (“ASUs”) of the Financial Accounting Standards Board (“FASB”). In the opinion of management, the accompanying unaudited interim financial statements include all normal and recurring adjustments (which consist primarily of accruals, estimates and assumptions that impact the unaudited interim financial statements) considered necessary to present fairly the Company’s financial position as of December 31, 2019, its results of operations and cash flows for the three months ended December 31, 2019 and 2018. The unaudited interim financial statements presented herein do not contain the required disclosures under GAAP for annual financial statements and should be read in conjunction with the annual audited financial statements and related notes as of and for the year ended September 30, 2019.

Sonnet BioTherapeutics, Inc.
Notes to Unaudited Interim Financial Statements

(b) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are periodically reviewed, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary.

(c) Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation and amortization expense is recognized using the straight-line method over the estimated useful life of the asset. Expenditures for repairs and maintenance that do not extend the estimated useful life or improve an asset are expensed as incurred. Upon retirement or sale, the cost and related accumulated depreciation and amortization of assets disposed of are removed from the accounts, and any resulting gain or loss is included in the statement of operations and comprehensive loss. As of December 31, 2019, the plant property and equipment balance was comprised of leasehold improvements associated with the Princeton office lease discussed in Note 7. These improvements were not placed in service as of December 31, 2019.

(d) Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which requires a lessee to record a right-of-use asset and a corresponding lease liability on the balance sheet for all leases with terms longer than 12 months. A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. An entity may choose to use either (1) its effective date, or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. If an entity chooses the second option, the transition requirements for existing leases also apply to leases entered into between the date of initial application and the effective date. The standard is effective for the Company beginning October 1, 2020, with early adoption permitted. The Company is currently evaluating the potential impact of the adoption of this standard on its related disclosures.

In August 2018, the FASB issued ASU 2018-13, *Disclosure Framework- Changes to the Disclosure Requirements for Fair Value Measurements*, which changes the fair value measurement disclosure requirements of ASC 820. The goal of the ASU is to improve the effectiveness of ASC 820's disclosure requirements. The standard is applicable to public business entities for fiscal years beginning after December 15, 2019, and interim periods within those years. The Company is currently evaluating the potential impact of the adoption of this standard on its related disclosures.

Sonnet BioTherapeutics, Inc.
Notes to Unaudited Interim Financial Statements

(3) Accrued Expenses

Accrued expenses consisted of the following:

	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Compensation and benefits	\$ 22,319	\$ 166,951
Professional fees	126,378	657,914
	<u>\$ 148,697</u>	<u>\$ 824,865</u>

(4) Debt

Related party notes

During the three months ended December 31, 2019 and 2018, the Company issued unsecured notes payable to various related parties resulting in cash proceeds of \$30,000 and \$2,000, respectively. These notes are payable on demand and payments of \$46,461 and \$280,554 were made during the three months ended December 31, 2019 and 2018, respectively. The interest on these notes was de minimis during each of those periods.

In October 2019 and December 2018, the Company issued 80,000 and 275,000 shares of common stock to settle \$200,000 and \$220,000 of related party notes, respectively.

The total amount of related party notes outstanding was \$919 and \$217,380 at December 31, 2019 and September 30, 2019, respectively.

(5) Stockholders' Deficit

Common stock

During the three months ended December 31, 2019, the Company sold 12,040 equity units to investors for net proceeds of \$2,715,030. Each unit was comprised of 100 shares of common stock and 50 warrants to purchase shares of the Company's common stock with an exercise price of \$3.125. As of December 31, 2019, the Company had 722,000 warrants outstanding which expire three years from the date the Company's stock is listed for trading on a stock exchange and each warrant has an exercise price of \$3.125.

During the three months ended December 31, 2018, the Company sold 812,500 shares of common stock to investors for net proceeds of \$629,000.

(6) Related Party Transactions

During the three months ended December 31, 2019 and 2018, the Company entered into various debt agreements with several officers of the Company. The terms of the debt and related components are further described in more detail in Note 4.

Sonnet BioTherapeutics, Inc.
Notes to Unaudited Interim Financial Statements

(7) Commitments

(a) Legal Proceedings

From time to time, the Company is a party to various lawsuits, claims, and other legal proceedings that arise in the ordinary course of its business. While the outcomes of these matters are uncertain, management does not expect that the ultimate costs to resolve these matters will have a material adverse effect on the Company's financial position, results of operations, or cash flows.

(b) Employment Agreements

The Company has entered into employment contracts with its officers and certain employees that provide for severance and continuation of benefits in the event of termination of employment either by the Company without cause or by the employee for good reason, both as defined in the contract. In addition, in the event of termination of employment following a change in control, as defined, either by the Company without cause or by the employee for good reason, any unvested portion of the employee's initial stock option grant becomes immediately vested. Through December 31, 2019 no stock options have been granted.

(c) Operating Leases

The Company leases office space under various operating leases with terms of one year or less and expiring through May 2020. Rent expense related to the Company's operating leases was \$24,702 for the three months ended December 31, 2019. Rent expense was de minimis for the three months ended December 31, 2018.

In December 2019, the Company entered into a 36 month lease for office space in Princeton, New Jersey, which commences in February 2020. Monthly minimum lease payments are initially \$7,909 for the first 12 months, \$8,068 for the next 12 months, and \$8,229 for the last 12 months.

(8) Subsequent Events

The Company has evaluated subsequent events from the balance sheet date through April 1, 2020, the date at which the interim financial statements were available to be issued, and there are no other items requiring disclosure except for the following:

Sale of Common Stock

During the three months ended March 31, 2020, the Company sold 5,420 units of equity to investors for net proceeds of \$1,355,000. Each unit was comprised of 100 shares of common stock and 50 warrants to purchase shares of common stock at an exercise price of \$3.125 per share and for a period of three years from the date the Company's stock is listed for trading on a stock exchange.

Relief Therapeutics SA

In August 2019, the Company executed a Share Exchange Agreement with Relief Therapeutics SA ("Relief"), in which the Company will acquire the outstanding shares of Relief by issuing 7,111,947 shares of the Company's common stock. The Company will assume the development of Relief's asset, atexakin alfa, together with its proprietary experimental drugs. The acquisition of relief closed on April 1, 2020.

Sonnet BioTherapeutics, Inc.
Notes to Unaudited Interim Financial Statements

Merger with Sonnet BioTherapeutics Holdings, Inc.

On October 10, 2019, Sonnet BioTherapeutics Holdings, Inc. (formerly known as Chanticleer Holdings, Inc.) (“Sonnet Holdings”), its wholly owned subsidiary, Biosub Inc., and the Company entered into a Merger Agreement, as amended on February 7, 2020, pursuant to which Biosub Inc. will merge with and into the Company, with the Company continuing as a wholly-owned subsidiary of Sonnet Holdings and the surviving corporation of the merger. The merger closed on April 1, 2020.

In connection with the transactions contemplated by the merger, on February 7, 2020, the Company and Sonnet Holdings entered into a securities purchase agreement, with certain accredited investors (the “Investors”) pursuant to which, among other things, the Company agreed to issue to the Investors shares of the Company’s common stock immediately prior to the merger and Sonnet Holdings agreed to issue to the Investors warrants to purchase shares of Sonnet Holdings common stock on the tenth trading day following the consummation of the merger in a private placement transaction for an aggregate purchase price of approximately \$19.0 million (which amount is comprised of (x) a \$4.0 million credit to Chardan Capital Markets, LLC (“Chardan”), in lieu of certain transaction fees otherwise owed to Chardan by the Company, and (y) \$15.0 million in cash from the other Investors). From the \$15 million of cash received, \$6.0 million was paid to Sonnet Holdings at the time of close (and transferred to a then-wholly-owned subsidiary which was spun-out from Sonnet Holdings along with Sonnet Holdings’ restaurant business at the time of the merger) and approximately \$1.5 million transaction costs were paid, resulting in net cash proceeds of \$7.5 million.

The Company entered into a common stock purchase agreement with GEM Global Yield Fund LLC SCS (“GEM”) on August 6, 2019, as amended on September 25, 2019 and January 31, 2020, (the “GEM Agreement”). Pursuant to the GEM Agreement, GEM agreed to purchase up to \$20.0 million (“Aggregate Limit”) of the Company’s common stock over a three-year period commencing on the date the original agreement was executed; provided that during any period when the Company’s public float is less than \$75.0 million, the Aggregate Limit will instead be equal to one-third of the amount of the Company’s public float over any consecutive 12-month period. No common stock has been issued to date under the GEM Agreement.

Coronavirus Pandemic

On March 10, 2020, the World Health Organization characterized the novel COVID-19 virus as a global pandemic. There is significant uncertainty as to the likely effects of this disease which may, among other things, materially impact the Company’s planned clinical trials. This pandemic or outbreak could result in difficulty securing clinical trial site locations, CROs, and/or trial monitors and other critical vendors and consultants supporting the trial. In addition, outbreaks or the perception of an outbreak near a clinical trial site location could impact the Company’s ability to enroll patients. These situations, or others associated with Covid-19, could cause delays in the Company’s clinical trial plans and could increase expected costs, all of which could have a material adverse effect on the Company’s business and its financial condition. At the current time, the Company is unable to quantify the potential effects of this pandemic on its future operations.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors
Sonnet BioTherapeutics, Inc.:

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Sonnet BioTherapeutics, Inc. (the Company) as of September 30, 2019 and 2018, the related statements of operations, stockholders' deficit, and cash flows for the years then ended, and the related notes (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2019 and 2018, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has incurred recurring losses and negative cash flows from operations since inception, has a stockholders' deficit of \$2,845,487 as of September 30, 2019, and will require substantial additional financing to continue to fund its research and development activities that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditors since 2015.

Philadelphia, Pennsylvania
November 27, 2019

Sonnet Biotherapeutics, Inc.

Balance Sheets

Assets	September 30,	
	2019	2018
Current assets:		
Cash	\$ 35,653	\$ 5,419
Prepaid expenses and other current assets	4,101	—
Total current assets and total assets	\$ 39,754	\$ 5,419
Liabilities and stockholders' deficit		
Current liabilities:		
Related-party convertible promissory notes	\$ —	\$ 1,303,767
Related-party notes	217,380	573,441
Accounts payable	1,842,996	453,429
Accrued expenses	824,865	66,058
Total liabilities	2,885,241	2,396,695
Contingencies and commitments (note 9)		
Stockholders' deficit:		
Preferred stock; no par value: 10,000,000 shares authorized; no shares issued or outstanding	—	—
Common stock; no par value: 100,000,000 shares authorized; 52,055,250 and 47,104,500 issued and outstanding at September 30, 2019 and 2018, respectively	9,594,655	5,177,655
Accumulated deficit	(12,440,142)	(7,568,931)
Total stockholders' deficit	(2,845,487)	(2,391,276)
Total liabilities and stockholders' deficit	\$ 39,754	\$ 5,419

See accompanying notes to financial statements.

Sonnet BioTherapeutics, Inc.

Statements of Operations

	Year ended September 30,	
	2019	2018
Operating expenses:		
Research and development	\$ 2,199,297	\$ 154,717
General and administrative	2,509,041	363,877
Loss from operations	(4,708,338)	(518,594)
Interest expense	(162,873)	(381,676)
Net loss	\$ (4,871,211)	\$ (900,270)
Per share information:		
Net loss per share of common stock	\$ (0.10)	\$ (0.02)
Weighted average shares outstanding	50,216,305	46,939,089

See accompanying notes to financial statements.

Sonnet BioTherapeutics, Inc.

Statements of Stockholders' Deficit

	<u>Common stock</u>		<u>Accumulated</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>deficit</u>	
Balance at October 1, 2017	46,842,000	\$ 4,717,655	\$ (6,668,661)	\$ (1,951,006)
Sale of common stock	262,500	210,000	—	210,000
Beneficial conversion feature recorded in connection with down round protection of convertible promissory note	—	250,000	—	250,000
Net loss	—	—	(900,270)	(900,270)
Balance at September 30, 2018	47,104,500	5,177,655	(7,568,931)	(2,391,276)
Sale of common stock, net of issuance costs	3,253,750	2,767,000	—	2,767,000
Conversion of convertible promissory note into common stock	1,525,000	1,220,000	—	1,220,000
Issuance of common stock for consulting services	172,000	430,000	—	430,000
Net loss	—	—	(4,871,211)	(4,871,211)
Balance at September 30, 2019	<u>52,055,250</u>	<u>\$ 9,594,655</u>	<u>\$ (12,440,142)</u>	<u>\$ (2,845,487)</u>

See accompanying notes to financial statements.

Sonnet BioTherapeutics, Inc.

Statements of Cash Flows

	Years Ended December 31,	
	2019	2018
Cash flows from operating activities:		
Net loss	\$ (4,871,211)	\$ (900,270)
Adjustments to reconcile net loss to net cash used in operating activities:		
Common stock issued for consulting services	430,000	—
Amortization of debt discount related to beneficial conversion feature	86,233	163,767
Change in operating assets and liabilities:		
Prepaid expenses and other current assets	(4,101)	7,930
Accounts payable	1,389,567	43,517
Accrued expenses and other liabilities	743,807	13,000
Net cash used in operating activities	(2,225,705)	(672,056)
Cash flows from investing activities:		
Proceeds from sale of property and equipment	—	118,011
Net cash provided by investing activities	—	118,011
Cash flows from financing activities:		
Proceeds from the issuance of common stock, net of issuance costs	2,782,000	210,000
Payment of principal of convertible promissory notes	(390,000)	(10,000)
Proceeds from the issuance of related-party notes	338,493	384,300
Payments of related-party notes	(474,554)	(71,040)
Net cash provided by financing activities	2,255,939	513,260
Net increase (decrease) in cash	30,234	(40,785)
Cash, beginning of year	5,419	46,204
Cash, end of year	\$ 35,653	\$ 5,419
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 99,890	\$ 210,659
Supplemental disclosure of non-cash financing activities		
Conversion of convertible promissory note into common stock	\$ 1,000,000	\$ —
Issuance of common stock to settle related-party notes	\$ 220,000	\$ —
Common stock issuance costs in accrued expenses	\$ 15,000	\$ —
Beneficial conversion feature in connection with convertible promissory note	\$ —	\$ 250,000

See accompanying notes to financial statements.

Sonnet BioTherapeutics, Inc.

Notes to Financial Statements

(1) Nature of Business and Liquidity

Sonnet BioTherapeutics, Inc. (the Company or Sonnet) was incorporated as a New Jersey corporation on April 6, 2015. The Company is a clinical stage, oncology-focused biotechnology company with a proprietary platform for innovating biologic medicines of single- or bi-specific action. Known as F_HAB™ (Fully Human Albumin Binding), the technology utilizes a fully human single chain antibody fragment (scFv) that binds to and “hitch-hikes” on human serum albumin (HSA) for transport to target tissues. The Company’s pipeline of therapeutic compounds for oncology indications of high unmet medical need includes lead candidate, SON-080, a fully human version of low dose Interleukin-6 (IL-6) that has successfully completed Phase I clinical trials and will advance to a pilot efficacy study in patients with chemotherapy-induced peripheral neuropathy (CIPN) during 2020.

From May 2011 to April 6, 2015, the Company operated as a division of Oncobiologics, Inc. (Oncobiologics). On April 6, 2015, the Board of Directors of Oncobiologics spun-off certain assets into Sonnet and concurrently distributed all of its shares in Sonnet on a pro rata basis to Oncobiologics’s stockholders.

The Company has incurred recurring losses and negative cash flows from operations since inception and has a stockholders’ deficit of \$2,845,487 as of September 30, 2019. The Company anticipates incurring additional losses until such time, if ever, that it can generate significant revenue from partnering arrangements or products currently in development. Management believes that the Company’s cash as of September 30, 2019, along with the receipt of \$550,000 in fiscal 2020 (note 11), will fund the Company’s projected operations into the second half of calendar 2020. Substantial additional financing will be needed by the Company to fund its operations. These factors raise substantial doubt about the Company’s ability to continue as a going concern. The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Management is currently evaluating different strategies to obtain the required funding for future operations. These strategies may include, but are not limited to, private placements of equity and/or debt, payments from potential strategic research and development partners, licensing, and/or marketing arrangements. There is no assurance that such financing will be available at all, or when needed.

Operations since inception have consisted primarily of organizing the Company, securing financing, developing its technologies through performing research and conducting preclinical studies. The Company faces risks associated with companies whose products are in development. These risks include the need for additional financing to complete its research and development, achieving its research and development objectives, defending its intellectual property rights, recruiting and retaining skilled personnel, and dependence on key members of management.

(2) Summary of Significant Accounting Policies

(a) Basis of presentation

The accompanying financial statements have been prepared in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”). Any reference in these notes to applicable guidance is meant to refer to U.S. GAAP as found in the Accounting Standards Codification (“ASC”) and Accounting Standards Updates (“ASU”) promulgated by the Financial Accounting Standards Board (“FASB”).

Sonnet BioTherapeutics, Inc.

Notes to Financial Statements

(b) Use of Estimates

The preparation of 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 as of the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are periodically reviewed, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary.

(c) Fair Value of Financial Instruments

Management believes that the carrying amounts of the Company's financial instruments, including accounts payable, approximate fair value due to the short-term nature of those instruments. The carrying amounts of the Company's capital lease obligations approximate their fair value based on interest rates available on similar borrowings. Due to the related-party relationships of the Company's debt (note 4), it is impractical to determine the fair value of the debt.

(d) Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives. The costs of maintenance and repairs are expensed as incurred. Improvements and betterments that add new functionality or extend the useful life of the asset are capitalized.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, then an impairment charge is recognized for the amount by which the carrying value of the asset exceeds the fair value of the asset. In September 2017, the Company ceased use of its research and development equipment due to the termination of employment of its research and development employees and transition into a virtual company environment. The Company sold certain property and equipment, including capital leases, and the remaining property and equipment was scrapped. During the year ended September 30, 2018, the Company received cash proceeds of \$118,011 in the connection with the sale of certain property and equipment, property and equipment under capital leases was assigned to Oncobiologics (note 3), and the remaining property and equipment was scrapped. No depreciation was recognized in 2019 or 2018.

(e) Research and Development Expenses

Research and development expenses include all direct and indirect costs associated with the development of the Company's biopharmaceutical products. These expenses include personnel costs, consulting fees, and payments to third parties for research, development, and manufacturing services. These costs are charged to expense as incurred.

(f) Income Taxes

The Company uses the asset-and-liability method of accounting for income taxes. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized. The Company recognizes the benefit of an uncertain tax position that it has taken or expects to take on its income tax return if such a position is more likely than not to be sustained.

Sonnet BioTherapeutics, Inc.

Notes to Financial Statements

(g) Debt Issuance Costs

Debt issuance costs incurred in connection with debt are amortized to interest expense over the term of the respective financing arrangement. Debt issuance costs, net of related amortization, are deducted from the carrying value of the related debt.

(h) Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which requires a lessee to record a right-of-use asset and a corresponding lease liability on the balance sheet for all leases with terms longer than 12 months. A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. An entity may choose to use either (1) its effective date, or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. If an entity chooses the second option, the transition requirements for existing leases also apply to leases entered into between the date of initial application and the effective date. The standard is effective for the Company beginning October 1, 2020, with early adoption permitted. Unless the Company signs a long-term lease in the future, the adoption is not expected to have a material impact on the Company's financial statements and related disclosures.

In August 2016, the FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments*, which provides specific guidance related to eight cash flow classification issues. The pronouncement is effective for interim and annual periods beginning after December 31, 2018, with early adoption permitted. The adoption of this ASU is not expected to have a material impact on the Company's financial statements.

In August 2018, the FASB issued ASU 2018-03, *Disclosure Framework- Changes to the Disclosure Requirements for Fair Value Measurements*, which changes the fair value measurement disclosure requirements of ASC 820. The goal of the ASU is to improve the effectiveness of ASC 820's disclosure requirements. The standard is applicable to public business entities for fiscal years beginning after December 15, 2019, and interim periods within those years. The Company is currently evaluating the potential impact of the adoption of this standard on its related disclosures.

(3) Capital Lease Obligations

In October 2015 and April 2017, the Company entered into capital leases to finance the purchase of laboratory equipment. The leases were accounted for as capital lease obligations due to their bargain purchase options at the end of their respective lease terms. In September 2017, the Company ceased use of its property and equipment. In 2018, the Company sold and scrapped all of its property and equipment including the assignment of its outstanding capital lease obligations of \$187,040 to Oncobiologics. No interest expense was recognized in 2019 related to capital leases. The Company recognized interest expense related to its capital leases of \$18,659 for the year ended September 30, 2018.

Sonnet BioTherapeutics, Inc.

Notes to Financial Statements

(4) Debt

Convertible promissory notes

The components of current convertible debt outstanding were as follows:

	September 30, 2018
Convertible promissory notes	\$ 1,390,000
Less unamortized debt discount	(86,233)
Total	\$ 1,303,767

In December 2016, the Company issued an unsecured convertible promissory note to Princeton Kanaw LLC (Lender) in exchange for cash proceeds of \$1,000,000. The note had an original term of 330 days, which was subsequently extended until December 2018 and bore interest at a rate of 12% per year. The note was convertible into common stock at \$1.00 per share, but also included a contingent beneficial conversion feature such that if the Company were to issue shares of common stock at an amount less than \$1.00 per share then the conversion price would be reduced to the lower conversion price per share. During fiscal 2018, the Company issued shares of common stock at \$0.80 per share to investors (note 6) and therefore, the Company recorded a beneficial conversion feature related to the reduction in conversion price of \$250,000 as a debt discount. The beneficial conversion feature represented the difference between the estimated fair value of the Company's common stock at the original debt issuance date and the adjusted conversion price. In December 2018, the promissory note was converted into 1,250,000 shares of common stock. The Company recognized interest expense of \$116,233 and \$283,767 during the years ended September 30, 2019 and 2018, of which \$86,233 and \$163,767 related to the amortization of the debt discount, respectively.

In March 2017, the Company issued an additional unsecured convertible promissory note to the Lender in exchange for cash proceeds of \$400,000. The note was guaranteed by the Company's CEO who is also a significant shareholder of the Company. The note had an original term of 330 days, which was subsequently extended until December 2018 and bore interest at a rate of 18% per year. The Company repaid the remaining outstanding principal balance in December 2018. As of September 30, 2018, the outstanding balance of the note was \$390,000. The Company recognized interest expense of \$44,136 and \$71,250 during the years ended September 30, 2019 and 2018, respectively.

Other related party notes

In February 2018, the Company issued a \$200,000 unsecured promissory note to a related party in exchange for cash proceeds of \$200,000. The promissory note is collateralized by a first security lien on all of the assets of the Company. The promissory note had an original maturity date of August 2, 2018 and bore interest at a rate of 6% per year. As of September 30, 2018, the promissory note had an outstanding principal balance of \$200,000. During the year ended September 30, 2019, the note was repaid. During the years ended September 31, 2019 and 2018, the Company recognized interest expense of \$2,504 and \$8,000, respectively.

During the years ended September 30, 2019 and 2018, the Company issued other unsecured notes payable to various related parties resulting in cash proceeds of \$338,493 and \$184,300, respectively. These notes are payable on demand and payments of \$274,554 and \$71,040 were made during the year ended September 30, 2019 and 2018, respectively. The interest on these notes was de minimis during each of those fiscal years.

In December 2018, the Company issued 275,000 shares of common stock to settle \$220,000 of related party notes.

The total amount of related party notes outstanding was \$217,380 and \$573,441 at September 30, 2019 and 2018, respectively.

Sonnet BioTherapeutics, Inc.

Notes to Financial Statements

(5) Accrued Expenses

Accrued expenses consisted of the following:

	September 30,	
	2019	2018
Compensation and related benefits	\$ 166,951	\$ 31,260
Interest	—	23,250
Professional fees	657,914	11,548
	<u>\$ 824,865</u>	<u>\$ 66,058</u>

(6) Stockholders' Deficit

Common stock

During the years ended September 30, 2019 and 2018, the Company sold 3,253,750 and 262,500 shares of common stock to investors for net proceeds of \$2,767,000 and \$210,000, respectively. During the year ended September 30, 2019, the Company issued 172,000 shares of common stock for consulting services and recognized an expense for the estimated fair value of the shares issued of \$430,000 in the accompanying statement of operations.

Common stock warrants

During the year ended September 30, 2019, the Company issued 80,000 warrants to purchase shares of the Company's common stock with an exercise price of \$3.125. As of September 30, 2019 the Company had 80,000 warrants outstanding which expire three years from the date the Company's stock is listed for trading on a stock exchange.

(7) Income Taxes

As of September 30, 2019, the Company has \$12,293,271 and \$12,097,865 of Federal and New Jersey net operating losses, respectively, that will begin to expire in 2035. As of September 30, 2019, the Company has Federal and New Jersey research and development tax credit carryforwards of \$182,231 and \$112,476 to reduce future tax liabilities, which will begin to expire in 2032 and 2023, respectively. Realization of the deferred tax asset is contingent on future taxable income and based upon the level of historical losses, management has concluded that the deferred tax asset does not meet the more-likely-than-not threshold for realizability. Accordingly, a full valuation allowance continues to be recorded against the Company's deferred tax assets as of September 30, 2019 and 2018. The valuation allowance increased by \$1,393,487 during the year ended September 30, 2019 and decreased by \$510,567 during the year ended September 30, 2018.

When uncertain tax positions exist, the Company recognizes the tax benefit of tax positions to the extent that the benefit will more-likely-than-not be realized. The determination as to whether the tax benefit will more-likely-than-not be realized is based upon the technical merits of the tax position as well as consideration of the available facts and circumstances. The Company recognizes interest and penalties accrued on any unrecognized tax benefits within the provision for income taxes in its consolidated statements of operations. No unrecognized tax benefits have been recorded.

In December 2017, the Tax Cuts and Jobs Act of 2017 (the "Act") was signed into law making significant changes to the Internal Revenue Code. The corporate tax rate decreased from 34% to 21% effective for tax years beginning after December 31, 2017. For the years ended September 30, 2019 and 2018, the federal tax rate was 21.0% and 24.3%, respectively.

Sonnet BioTherapeutics, Inc.

Notes to Financial Statements

The tax effects of the temporary differences that gave rise to deferred taxes were as follows:

	September 30,	
	2019	2018
Deferred tax assets:		
Net operating loss carryforwards	\$ 3,441,745	\$ 2,097,363
Research and development credit carryforward	294,707	294,707
Other	—	2,399
Gross deferred tax assets	3,736,452	2,394,469
Less: valuation allowance	(3,736,452)	(2,342,965)
	—	51,504
Deferred tax liability:		
Fixed assets	—	(27,264)
Basis difference due to beneficial conversion feature	—	(24,240)
Net deferred tax assets	\$ —	\$ —

The Company recorded no income tax expense or benefit for the years ended September 30, 2019 and 2018. A reconciliation of income tax (expense) benefit at the statutory federal income tax rate and income taxes as reflected in the financial statements is as follows:

	Year ended September 30,	
	2019	2018
U.S. federal statutory rate	(21.0)%	(24.3)%
State taxes, net of federal benefit	(7.2)	(6.8)
Change in tax rates	—	87.8
Change in valuation allowance	28.6	(56.7)
Other	(0.4)	—
Effective income tax rate	—%	—%

(8) Employee Benefit Plans

The Company sponsors a 401(k) defined-contribution plan (the Plan) covering all employees. Under the Plan, participating employees may defer up to the Internal Revenue Service's annual contribution limit. The Company at its discretion may match each employee's contributions up to 3% of their gross salary. No matching contributions were made for the year ended September 30, 2019. The Company contribution was \$594 for the year ended September 30, 2018.

Sonnet BioTherapeutics, Inc.

Notes to Financial Statements

(9) Contingencies and Commitments

(a) Legal Proceedings

From time to time, the Company is a party to various lawsuits, claims, and other legal proceedings that arise in the ordinary course of its business. While the outcomes of these matters are uncertain, management does not expect that the ultimate costs to resolve these matters will have a material adverse effect on the Company's financial position, results of operations, or cash flows.

(b) Employment Agreements

The Company has entered into employment contracts with its officers and certain employees that provide for severance and continuation of benefits in the event of termination of employment either by the Company without cause or by the employee for good reason, both as defined in the contract. In addition, in the event of termination of employment following a change in control, as defined, either by the Company without cause or by the employee for good reason, any unvested portion of the employee's initial stock option grant becomes immediately vested. Through September 30, 2019 no stock options have been granted.

(c) Operating Leases

The Company leases office space under various operating leases with terms of one year or less and expiring through May 2020. Rent expense related to the Company's operating leases were \$60,263 and \$57,557 for the years ended September 30, 2019 and 2018, respectively.

(d) Relief Therapeutics SA

In August 2019, the Company executed a Share Exchange Agreement with Relief Therapeutics SA ("Relief"), in which the Company will acquire the outstanding shares of Relief by issuing 7,111,947 shares of the Company's common stock. The Company will assume the development of Relief's asset, atexakin alfa, together with its proprietary experimental drugs. The closing is expected to occur immediately prior the Company becoming a publicly traded corporation and subject to certain customary closing conditions.

(10) Related Party Transactions

In fiscal 2019 and 2018, the Company entered into various debt agreements with several officers of the Company. The terms of the debt and related components are further described in more detail in note 4.

(11) Subsequent Events

The Company has evaluated subsequent events from the balance sheet date through November 27, 2019, the date at which the financial statements were available to be issued, and there are no other items requiring disclosure except for the following:

During fiscal 2020, the Company sold 220,000 shares of common stock to investors at \$2.50 per share for proceeds of \$550,000 and issued 100,000 shares of common stock to settle \$250,000 of related party notes with a stockholder. In addition, the Company issued 160,000 warrants to purchase shares of the Company's common stock with an exercise price of \$3.125 which expires three years from the date the Company's stock is listed for trading on a stock exchange.



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**RELIEF THERAPEUTICS SA,
GENEVA**

**Report on the audit of
The Financial Statements as of
December 31, 2019 and for the comparative period**



BERNE DELEMONT FRIBOURG GENEVE LAUSANNE NEUCHATEL SION ZURICH



Independent Auditor's report**To the Board of Directors of Relief Therapeutics SA, Geneva****Report on the Financial Statements**

We have audited the accompanying financial statements of Relief Therapeutics SA, which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards (IFRS); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Relief Therapeutics SA as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with the International Financial Reporting Standards (IFRS).

Emphasis of matter

As discussed in Note 4.1 to the financial statements, Relief Therapeutics SA has suffered recurring losses from operations. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note 4.1. Our opinion is not modified with respect to this matter.

MAZARS SA

Mazars SA

 Franck Paucod

Franck Paucod
Swiss Certified Public Accountant
(Auditor in Charge)

 Vincent Pichard

Vincent Pichard
US Certified Public Accountant

Geneva, March 20, 2020

Enclosure:

- Financial statements (balance sheet, statement of comprehensive income, cash flow statement, statement of changes in equity and notes)

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Relief Therapeutics SA, Geneva

Balance sheet

TCHF	Notes	31 December 2019	31 December 2018
ASSETS			
Property, plant and equipment	5	-	1
Non-current assets		-	1
Financial assets due from shareholder	6	1009	761
Financial assets due from related parties		1	-
Other current assets and other receivables	7	27	24
Cash and cash equivalents	8	9	37
Current assets		1'046	822
Total assets		1'046	823
EQUITY AND LIABILITIES			
Share capital	9	208	208
Reserves	10	597	597
Accumulated losses		(104)	(1'825)
Equity		701	(1'020)
Shareholder's loan	11	-	1'150
Defined benefit obligation	12	136	567
Non-current liabilities		136	1'717
Trade payables	13	55	2
Financial liabilities due to related parties	14	14	23
Tax liabilities	21	10	-
Other current payables and liabilities	15	130	101
Current liabilities		209	126
Total equity and liabilities		1'046	823

The accompanying notes form an integral part of the financial statements.

Relief Therapeutics SA, Geneva

Statement of comprehensive income

TCHF	Notes	2019	2018
Service expense	16	(39)	(52)
Personnel expense	17	(60)	(61)
Other administrative expense	18	(154)	(19)
Other gains/(losses)	19	19	-
EBITDA		(234)	(132)
Depreciation expense	5	(1)	(4)
Operating result		(235)	(136)
Financial income	20	1'497	-
Financial expense	20	-	-
Result before income taxes		1'262	(136)
Income taxes	21.1	(10)	-
Result for the period		1'252	(136)
OTHER COMPREHENSIVE INCOME			
Remeasurement of defined benefit obligation	12	469	2
Total items that will not be reclassified subsequently to profit or loss		469	2
Total items that may be reclassified subsequently to profit or loss		-	-
Total other comprehensive income for the period, net of income tax		469	2
Total comprehensive income for the period		1'721	(134)

The accompanying notes form an integral part of the financial statements.

Relief Therapeutics SA, Geneva

Cash flow statement

TCHF	Notes	2019	2018
Result for the year		1'252	(136)
Adjustments for:			
- Depreciation expense	5	1	4
- Finance expenses	20	-	-
- Finance income	20	(1'497)	-
- Income tax expense	21.1	10	-
- Interest expenses paid		(2)	-
- Changes in pension obligations		39	32
Changes in working capital:			
- (Increase) in financial assets due from related parties		(249)	(368)
- (Increase) / decrease in other receivables and accruals		(4)	(15)
- Increase/(decrease) in trade payables		53	(30)
- Increase in financial liabilities due to related parties		100	7
- Increase in other payables and accrued liabilities		29	54
Cash flow generated from (used for) operating activities		(268)	(452)
Cash flow from investing activities		-	-
Proceeds from shareholder's loan	11	240	455
Cash flow from financing activities		240	455
Net (decrease)/increase in cash and cash equivalents		(28)	3
Cash and cash equivalents at beginning of period		37	34
Cash and cash equivalents at end of period	8	9	37

The accompanying notes form an integral part of the financial statements.

Relief Therapeutics SA, Geneva

Statement of changes in equity

TCHF	Notes	Share capital	Reserves	Accumulated loss	Total
Balance at 1 January 2018		208	597	(1'693)	(888)
Result for the year		-	-	(136)	(136)
Other comprehensive income for the year, net of income tax		-	-	2	2
Total comprehensive income for the year		-	-	(134)	(134)
Other		-	-	2	2
Balance at 31 December 2018		208	597	(1'825)	(1'020)
Balance at 1 January 2019		208	597	(1'825)	(1'020)
Result for the year		-	-	1'252	1'252
Other comprehensive income for the year, net of income tax		-	-	469	469
Total comprehensive income for the year		-	-	1'721	1'721
Balance at 31 December 2019		208	597	(104)	701

The accompanying notes form an integral part of the financial statements.

Relief Therapeutics SA, Geneva

Notes to the financial statements

1. General information

Relief Therapeutics SA ("Relief" or the "Company") is an unlisted Swiss stock corporation whose registered office is Avenue de Sécheron 15, 1202 Geneva, Switzerland.

The mission of the Company is to develop innovative treatments to address high-unmet medical needs. In particular, the most advanced program aims at providing significant improvements for the debilitating affections that are associated with the degeneration of the peripheral nervous system (neuropathies). To achieve this goal, the Company is planning to conduct a clinical trial with a recombinant human protein, atexakin alfa, that proved, in previous clinical trial for a different indication, safe in patients and efficient at reconstructing nerves and reinstating normal blood flow in relevant animal models.

The financial statements for the year ended 31 December 2019 are presented in thousands of Swiss Francs (TCHF).

2. Application of new and revised International Financial Reporting Standards

2.1 Amendments to IFRSs and the new interpretation that are mandatorily effective for the current year

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for the current year. None of the revised Standards has had a material effect on these financial statements. The details of the revised Standards and the new Interpretation which are applicable to the Company are as follows:

IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17 "Leases" ("IAS 17") and its associated interpretative guidance. IFRS 16 applies a right to control model to the identification of leases, distinguishing between leases and service contracts. In accordance with IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The date of initial application of IFRS 16 for the Company was 1 January 2019.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and the requirement for lease liabilities and right of use assets to be recognized on the balance sheet for almost all leases (subject to limited exceptions for short-term leases and leases of low value assets). For short term leases (lease term of 12 months or less) and leases of low value assets, the Company opted to recognize a lease expense on a straight-line basis as permitted by IFRS 16 (i.e. the same accounting treatment as under superseded IAS 17).

As of 1 January 2019, there were no non-cancellable lease commitments for short-term leases (31 December 2018: TCHF 8). The entire lease commitments relate to short term leases with a cancellation period of three months for the lessee, and hence, as of 1 January 2019, the Company did not have any impact on first-time application of IFRS 16.

The Company made use of the practical expedient available on transition to IFRS 16, and did not reassess whether a contract is, or contains, a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 "Determining whether an Arrangement Contains a Lease" ("IFRIC 4") will continue to apply to those leases entered or modified before 1 January 2019.

IAS19 Employee Benefits (Amendments)

Amends IAS 19 Employee Benefits, to clarify the following aspects:

Past service cost (or the gain or loss on settlement)

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position).

IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognized in the normal manner in other comprehensive income.

Current service cost and net interest on the net defined benefit liability (asset)

An entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19.99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

The adoption of the amendments of IAS 19 has not had any impact on the Company's financial statements.

IFRS 9 Financial Instruments (Amendments)

Amends IFRS 9 Financial Instruments in relation to Prepayment Features with Negative Compensation, to clarify the following aspects:

The amendments clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments have no impact on the financial statements of the Company.

Amendments resulting from annual improvements 2015-2017 Cycle

IAS 12 Income Taxes - clarifies that an entity should recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 Borrowing Costs - clarifies that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

These amendments have no impact on the financial statements of the Company.

IFRIC 23 Uncertainty over Income Tax Treatment

The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings;
- if yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings;
- if no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The interpretation has no impact on the financial statements of the Company.

2.2 Standards and Interpretations in issue but not yet effective

At the date of authorization of these financial statements, the Company has not adopted the following amendments to Standards that have been issued but are not yet effective. They will be effective on or after the date described below:

	New, amended and revised Standards and Interpretations	Effective from
Various	The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of "material" and align the definition used in the Conceptual Framework and the standards.	Annual periods beginning on or after 1 January 2020

The Company has not applied any Standards or Interpretations before their effective date.

3. Summary of significant accounting policies

3.1 Basis of preparation

The financial statements of the Company for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and comply with Swiss law. They have been prepared under the historical cost convention, as modified by the revaluation of financial instruments at fair value, are presented in Swiss Francs (CHF) and all values are rounded to the nearest thousand (TCHF), except when otherwise indicated.

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. The actual outcome may differ from the assumptions and estimates made. If in the future such estimates and assumptions, which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change. The areas involving higher degrees of judgement or complexity or where assumptions and estimates are significant to the financial statements are disclosed in note 4.

3.2 Current versus non-current classification

The Company presents assets and liabilities in its statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle which is 12 months
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle which is 12 months
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3.3 Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in CHF, which is the functional currency of the Company.

Transactions and balances

In preparing the financial statements, transactions in currencies other than the entity's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

3.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical costs include expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the assets' carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate costs to residual values over each asset's estimated useful lives, which for furniture and equipment as well as IT equipment is 3-5 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Where the carrying amount of an asset is greater than its estimated recoverable amount (higher of value in use and fair value less costs to sell), it is written down immediately to its recoverable amount.

3.5 Leases

Accounting policies applicable from 1 January 2019

The Company assesses whether a contract is or contains a lease at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate for such liabilities.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment on exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventory.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the "Impairment of non-financial assets" policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the lines "cost of sales" and "administrative expenses" in the statement of profit or loss. Currently, the Company does not have such variable rents.

Accounting policies applicable prior to 1 January 2019

Leases under which substantially all of the risks and rewards of ownership are not transferred to the Company are classified as operating leases. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease.

3.6 Financial assets

Classification

The Company has only financial assets classified within the category "financial assets at amortized cost". The classification at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company's financial assets at amortized cost include trade and other receivables, as well as financial assets due from shareholders that are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Recognition and measurement

These assets are measured initially at their fair value and are subsequently measured at amortized cost using the effective interest rate method and are subject to impairment.

A financial asset is derecognized when:

- the contractual rights to the cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Company recognizes an allowance for expected credit losses ("ECL") for all debt instruments not held at fair value through profit or loss. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within financial debts in current liabilities on the balance sheet. This definition is also used for the purposes of the cash flow statement.

3.8 Financial liabilities

The Company's financial liabilities include trade and other payables as well as borrowings.

Financial liabilities are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest rate method, with interest expense recognized on an effective yield basis.

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired.

3.9 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

3.10 Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The fair values of financial assets and liabilities at the balance sheet date are not materially different from their reported carrying values unless specifically mentioned in the notes to the financial statements.

3.11 Research and development costs

Research and development costs consist primarily of remuneration and other expenses related to research and development personnel, costs associated with preclinical testing and clinical trials of product candidates, expenses for research and development services under collaboration agreements and outsourced research and development expenses. Furthermore, the Company may acquire in-process research and development assets, either through business combinations or through purchases of specific assets. In-process research and development assets acquired either through business combinations or separate purchases are capitalized as intangible assets and reviewed for impairment at each reporting date. Once available for use, such intangible assets are amortized on a straight-line basis over the period of the expected benefit.

Internal development costs are capitalized as intangible assets only when there is an identifiable asset that can be completed and that will generate probable future economic benefits and when the cost of such an asset can be measured reliably.

In 2019 and 2018 all research and development costs were expensed as the various projects did not yet meet a stage where the definition of development costs were met.

3.12 Employee benefits

General

Wages, salaries, social security contributions, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Company.

Pension obligations

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest and the return on plan assets (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognizes the following changes in the net defined benefit obligation under 'personnel expense' in statement of comprehensive income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

4. Summary of critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, expenses and related disclosures. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

4.1 Critical judgements in applying accounting policies

Going concern

The Company has been facing some financial difficulties by having some operating losses thus questioning the capacity to continue as a going concern. Indeed, the Company had negative operating results of TCHF (235) at 31.12.2019 and TCHF (136) at 31.12.2018 thus resulting in an operating cash outflows for both years (TCHF 268 at 31.12.2019 vs. TCHF 452 at 31.12.2018).

In 2019, as well as in previous years, Relief reduced its capital needs significantly. The Company operates with a single part time manager, and external resources and has relocated to an office with reduced costs. The Company mainly relied on its current cash balance and financial support from its Parent company Relief Therapeutics Holding SA ("RTH") which has injected capital via loans. While these loans have generated some debt (principal and interest) towards RTH, discussions with the RTH board have resulted in the write off of the corresponding amount and relieved the Company from its financial obligations towards RTH.

The Company's management envisions a long-term strategy based on the development of its main asset Atexakin alfa ("Atexakin") through the acquisition of Relief by the US-based company Sonnet BioTherapeutics Inc. ("Sonnet"). A Share Exchange Agreement ("SEA") is in place with Sonnet, according to which, following fulfilment of certain condition precedents, Sonnet will acquire all shares of Relief that are currently owned by RTH. Closing of this transaction is being actively pursued by Sonnet and RTH teams with the help of both company's legal counsels and should be completed shortly.

As a result of the closure of the SEA, the Company will become a fully owned subsidiary of Sonnet. Sonnet has already invested significantly in the initial phase of Atexakin's development that resulted in the delivery of a complete analysis of the available supporting information, of regulatory documents and in the establishment of collaborative interactions with service providers to progress the project. Sonnet will pursue its investment in the clinical development of Atexakin once the SEA will be closed and will commit funding into the clinical testing of Atexakin for safety and efficacy to treat Chemotherapy-Induced Peripheral Neuropathy (CIPN). Positive results will support progression into subsequent development phases either internally or via sub-licensing to an external company until clearance for market entry. This is expected to provide funds to the Company, in addition to those coming from Sonnet, under the form of upfront and milestone fees.

The acquisition of the Company by Sonnet entails the restructuring of the existing workforce that, following the resignation of its former CEO and CFO is constituted by its CSO, Mr. Yves Sagot and external acting CFO Mr. Zoltan Czigler. Sonnet intends to hire additional executive(s) and renew the Board of Directors of the Company after the closing of the SEA. The resigning former executives have been approached and, for some of them, welcomed positively the opportunity to occupy such position(s). Relief hence considers that all the elements are or will soon be in place to ensure the Company will remain in a going concern.

Finally, efforts to raise cash through traditional financing methods such as attracting new investors, the issuance of debt and equity instruments are still made in order to finance its continuing operations for the upcoming years.

In the current context of coronavirus pandemic, as the Company's reliance on local or global supply chains is low, and as it does not operate any production facilities, it has a low risk of being forced to interrupt its operations due to the on-going nCov 2019 pandemic. Due to the average age of its collaborators, no loss of personnel is expected as a consequence of potential infection. Government-imposed travel restrictions and quarantines may lead the Company to adapt to this novel environment by reducing its face-to-face interactions and by favoring video and teleconferences which already support the majority of its in-house and external business interactions. At the present

time, a precise quantitative evaluation of the impact of the pandemic on the Company's planned activities is almost impossible to establish and the Company is closely monitoring its global evolution. In particular, the Company current focus is to ensure that the planned imminent sale of Relief Therapeutics SA to Sonnet Biotherapeutics will be closed.

Management is therefore aware that the Company is running through difficult times but it is confident that the current measures taken and envisioned present a high level of likelihood to be finalized. These measures will allow the Company to ensure its operations for the foreseeable future. In such a case, Management considers that all aspects are in place to ensure that the Company is able to continue as a going concern and hence established a budget forecast in this sense.

4.2 Key sources of estimation uncertainty

Deferred income taxes

The determination of the recoverability of deferred income tax assets is based on the judgment of management. Deferred income tax assets are only recognized if it is probable that they can be used in the future. Whether or not they can be used depends on whether the tax-deductible temporary difference can be offset against future taxable profits. In order to assess the probability of their future use, management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies. At 31 December 2019 and at 31 December 2018, deferred income tax assets amounted to TCHF 0 (refer to note 21.3 for further details on unrecognized deferred tax assets). Such deferred tax assets are only recorded when it becomes evident that sufficient future taxable profits are probable. Deferred income tax assets are written down in the same period in which the latest assessment of recoverability indicates a lower value than currently recorded in the financial statements.

Retirement benefit obligations

The retirement benefit obligation is calculated on the basis of various financial and actuarial assumptions. The key assumptions for assessing these obligations are the discount rate, future salary and pension increases and the probability of the employee reaching retirement. The calculations were done by external experts and the principal assumptions used are summarized in note 12. At 31 December 2019, the underfunding amounted to TCHF 136 (31 December 2018: TCHF 567). Using other assumptions for the calculations could have led to different results.

5. Property, plant and equipment

TCHF	Furniture and Equipment	IT Equipment	Total
COST			
Balance at 1 January 2018	4	7	11
Additions	-	-	-
Balance at 31 December 2018	4	7	11
Additions	-	-	-
Balance at 31 December 2019	4	7	11
ACCUMULATED DEPRECIATION			
Balance at 1 January 2018	(2)	(4)	(6)
Depreciation expense	(1)	(3)	(4)
Balance at 31 December 2018	(3)	(7)	(10)
Depreciation expense	(1)	-	(1)
Balance at 31 December 2019	(4)	(7)	(11)
CARRYING AMOUNT			
at 31 December 2018	1	-	1
at 31 December 2019	-	-	-

6. Financial assets due from shareholder

At 31 December 2019, TCHF 1'009 is due from Relief Therapeutics Holding SA ("RTH"), the sole shareholder of the Company (31 December 2018: TCHF 761) earned by the Company in exchange of service provided such as payroll or general overhead paid by the Company on behalf of RTH. The current account is non-interest bearing, does not have a fixed term and is not impaired. The fair value of this financial asset is close to its carrying amount.

7. Other current assets and other receivables

TCHF	31 December 2019	31 December 2018
VAT receivables	1	3
Prepaid expenses	7	14
Deposits with others	7	7
Other current receivables (i)	12	-
Total	27	24

(i) Other current receivables mainly relate to recharged expenses to Sonnet (note 19)

Other current assets and other receivables are neither impaired nor overdue.

8. Cash and cash equivalents

TCHF	31 December 2019	31 December 2018
Bank deposits	9	37
Cash on hand	-	-
Total	9	37

9. Share capital

9.1 Issued share capital

At 31 December 2019, the issued share capital amounts to TCHF 208, consisting of 208'163 fully paid registered shares with a par value of CHF 1.00 each. They entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of shares and amounts paid on the shares held. There were no changes to the share capital in 2018 and 2019.

9.2 Authorized and conditional share capital

At 31 December 2019, the Company had no authorized share capital, but conditional share capital of TCHF 23, consisting of 23'129 shares with a par value of CHF 1.00 each.

10. Reserves

Reserves consist entirely of share premium paid by shareholders during the last capital increase in 2016.

11. Shareholder's loan

At 31 December 2018, the entire amount was due to Relief Therapeutics Holding SA, the sole shareholder of the Company. The loan bore a 5% interest rate and did not have a fixed term. In 2019, Relief Therapeutics Holding SA increased the loan by a further TCHF 240 and later forgave the entire loan of TCHF 1'390 (refer to note 4.1). The resulting income was recognised as financial income in the statement of comprehensive income (refer to note 20).

12. Defined benefit obligations

The Company participates in a Swiss pension plan which qualifies as defined benefit plan under the requirements of IAS 19.

The Company operates fund defined benefit plans for qualifying employees in Switzerland. Under the plan, the employees are entitled to retirement benefits and risk insurance for death and disability. No other post-retirement benefits are provided to these employees. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out on 31 December 2019. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Swiss pension plans need to be administered by a separate pension fund that is legally separated from the entity. The law prescribes certain minimum benefits.

The pension plan is managed by collective funds with "Patrimonia Fondation". The board of the pension fund is composed of an equal number of representatives from both employers and employees.

Due to the requirements of IAS 19 the above-mentioned pension plan is classified as defined benefit plans and is described in detail in the corresponding statutes and regulations.

The contributions of employers and employees in general are defined in percentages of the insured salary. Interest is credited to the employees' accounts at the minimum rate provided in the plan, payment of which is guaranteed by the insurance contract as described below. The retirement pension is calculated based on the old-age credit balance on retirement multiplied by the fixed conversion rate. The employee has the option to withdraw the capital at once. The death and disability pensions are defined as percentage of the insured salary. The assets are invested directly with the corresponding pension funds.

The fully reinsured pension fund has concluded insurance contracts to cover the insurance and investment risk. The board of the pension fund is responsible for the investment of assets and the investment strategy is defined in a way that the benefits can be paid out on due date. For accounting purposes this insurance contract represents the sole asset of the plan. Fair value of plan asset is the estimated cash surrender value at the respective balance sheet date.

The pension fund can change its financing system (contributions and future payments) at any time. Also, when there is a deficit which cannot be eliminated through other measures, the pension fund can oblige the entity to pay a restructuring contribution. For the pension fund of the Company such a deficit currently cannot occur as the plan is fully reinsured. However, the pension fund could cancel the contract and the Company would have to join another pension fund. In the current and comparative period no plan amendments, curtailments or settlements occurred.

Amounts recognized in profit or loss in respect of this defined benefit plans are as follows:

TCHF	2019	2018
Current service cost	56	42
Past service cost (i)	(12)	-
Net interest expense	4	3
Administration cost excl. cost for managing plan assets	2	1
Expense recognised in profit or loss	50	46

(i) During 2019, changes to the future conversion factors used to convert a participant's account balance into a pension at retirement were approved. The impact of this change resulted in a decrease in the defined benefit obligation of TCHF 12, such that this amount is immediately recognized as past service cost in profit or loss.

Amounts recognized in other comprehensive income in respect of these defined benefit plans are as follows:

TCHF	2019	2018
Remeasurement (gain)/loss on defined benefit obligation		
due to changes in demographic assumptions	-	-
due to changes in financial assumptions	64	(77)
due to changes in experience adjustments (i)	(538)	97
Return on plan assets excl. interest income	5	(22)
Income recognised in other comprehensive income	(469)	(2)

(i) In 2019, the remeasurement gain due to changes in experience adjustments is mainly due to the departure of the CEO and former CFO. As the departures were voluntary, they were treated as regular terminations and therefore reflected in other comprehensive income as and experience adjustment.

The amount included in the statement of financial position arising from the Company's obligation in respect of its defined benefit plans is as follows:

TCHF	31 December 2019	31 December 2018
Present value of funded defined benefit obligation	507	2'200
Fair value of plan assets	(371)	(1'633)
Net liability arising from defined benefit obligation	136	567

Movements in the present value of the defined benefit obligation in the current year were as follows:

TCHF	2019	2018
Opening defined benefit obligation	2'200	1'982
Current service cost	56	42
Past service cost	(12)	-
Interest expense on defined benefit obligation	17	12
Contributions from plan participants	12	14
Benefits (paid)/deposited	(1'292)	130
Remeasurement (gain)/loss due to changes in demographic assumptions	-	-
Remeasurement (gain)/loss due to changes in financial assumptions	64	(77)
Remeasurement (gain)/loss due to changes in experience adjustments	(538)	97
Closing defined benefit obligation	507	2'200

Movements in the present value of the plan assets in the current period were as follows:

TCHF	2019	2018
Opening fair value of plan assets	1'633	1'445
Interest income on plan assets	13	9
Return on plan assets excluding interest income	(5)	22
Contributions from the employer	12	14
Contributions from plan participants	12	14
Benefits (paid)/deposited	(1'292)	130
Administration cost	(2)	(1)
Closing fair value of plan assets	371	1'633

The respective insurance company is providing reinsurance of these assets and bears all market risk on these assets.

Principal assumptions used for the purposes of the actuarial valuations were as follows:

TCHF	2019	2018
Discount rates	0.15%	0.80%
Expected rates of salary increase	1.50%	1.50%

The following sensitivity analyses - based on the principal assumptions - have been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period: if the discount rate would be 50 basis points (0.50 percent) higher (lower), the defined benefit obligation would decrease by 9.6% (increase by 11.0% if all other assumptions were held constant).

The average duration of the defined benefit obligation at the end of the reporting period is 20.7 years (31 December 2018: 17.2 years). The Company expects to make a contribution of TCHF 2 to the defined benefit plans during the next financial year.

13. Trade payables

Trade payables of TCHF 55 mainly relate to unpaid invoices in relation to patent costs. In 2018, trade payables of TCHF 2 relate to various unpaid invoices in relation to operating expenses.

14. Financial liabilities due to related parties

These financial liabilities consist of non-interest-bearing current accounts with the shareholder of the Company as well as with Therametrics Switzerland GmbH, a company whose only shareholder is the shareholder of the Company. The repayment dates are not defined. In 2019, the entire amount due to the shareholder of the Company was waived. The resulting gain of TCHF 107 is recognized as finance income in profit or loss (note 20).

15. Other current payables and liabilities

TCHF	31 December 2019	31 December 2018
VAT payable	63	-
Accrued expenses	56	29
Accrued holiday	2	8
Payable to social security institutions	9	10
Sales tax	-	52
Other current liabilities	-	2
Total	130	101

16. Service expense

TCHF	2019	2018
Third party research and development expense	12	19
License expense	27	33
Total cost for services	39	52

The license expense includes the cost paid annually for a licensed right granted to the Company on an exclusive worldwide basis to research, develop, make, have made import, export, use and commercialize products comprising recombinant human IL-6 Atexakin.

17. Personnel expense

Only insignificant personnel expense was recognized in the Company, other than the expenses in relation to the pension plan. Most of the other personnel expenses were recharged to the sole shareholder of the Company. During 2019 and 2018, the average number of employees (in full-time positions) was less than 10. Refer to note 23 for further details in relation to compensation for executive management and Board of Directors.

18. Other administrative expense

TCHF	2019	2018
Office expense	11	(9)
Accounting, legal and consulting expense (i)	136	10
Travel expense	2	3
IT expense	3	12
Tax expense, other than income tax	1	2
Other operating expense	1	1
Total general and administrative expense	154	19

(i) The increase is mainly due to an increase in audit fees due to several additional audits in 2019.

19. Other gains/(losses)

TCHF	2019	2018
Expenses recharged to Sonnet	18	-
Foreign exchange differences	1	-
Total other gains/(losses)	19	-

20. Financial income / (expenses)

TCHF	2019	2018
Interest expense	-	-
Bank charges	-	-
Total finance expense	-	-
Finance income due to shareholder's loan waiver (note 11)	1'390	-
Finance income due to related party payable waiver (note 14)	107	-
Total finance income	1'497	-

21. Income taxes

21.1 Income tax recognized in profit or loss

TCHF	2019	2018
CURRENT TAX		
Current tax expense for the current year	10	-
Adjustments in relation to the current tax of prior years	-	-
	10	-
DEFERRED TAX		
Deferred tax (income)/expense recognised in the current year	-	-
Adjustment to deferred tax attributable to changes in income tax rate	-	-
	10	-
Total income tax expense recognised in the current year	10	-

The following table provides reconciliation between income tax expense recognized for the year and the tax calculated by applying the applicable tax rates on accounting profit:

TCHF	2019	2018
Profit/(loss) before tax	1'262	(136)
Income tax (expense)/income calculated at 23.73 % (2018: 24.20 %)	299	33
Unrecognised deferred tax assets during the year	(384)	(25)
Effect of net expenses that are not deductible in determining taxable profit	95	(8)
Total income tax expense recognised in profit or loss	10	-

The weighted average applicable tax rate of the Company is 23.73% (2018: 24.20%) which is equal to the tax rate of the Company.

21.2 Income tax recognized in other comprehensive income

Due to the ongoing operating loss situation, no deferred tax assets were recognized in relation to the defined benefit obligation and the related items recognized through other comprehensive income.

21.3 Unrecognized deferred tax assets

In accordance with IAS 12, the Company did not capitalize any deferred tax asset relating to tax loss carry-forwards in previous periods since the criteria for recognition (i.e. the probability of future taxable profits) were not met. As at 31 December 2019, due to the profit in the financial year, all taxable losses carried forward were used. As at 31 December 2018, a total of TCHF 1'621 tax losses carried forward were available.

The forgiveness of the loan of the Company's mother company (Note 11) has been recorded as profit for the financial year 2019 giving the ongoing uncertainty due to the lack of information faced by the Company at this stage. Indeed, the Company is currently seeking confirmation from the Swiss tax authorities whether the debt forgiveness from its direct shareholder could be viewed as a capital restructuring ("mesure d'assainissement in French") with the debt being converted as equity thus being viewed as a capital injection. If the Cantonal Tax authorities validate the capital restructuring, the loss carried forward would not be consumed by the income resulting from the debt forgiveness of the direct shareholder as such income is tax exempted.

In case this will be approved by the Federal Tax authorities as well, the capital injection made by the direct shareholder is subject to the payment of the Federal Stamp of 1%, except if all the tax requirements are fulfilled to get an exemption of the issuance stamp tax.

Nevertheless, there is uncertainty as to whether the payment of this federal stamp would still be due as the Company might be exempted due to the capital restructuring. A confirmation from the Swiss Tax authorities is expected later in 2020.

Further, no deferred tax assets were recognized in relation to the defined benefit obligation (note 12), which using the enacted tax rate in Geneva for the respective years, would have led to deferred tax assets of TCHF 19 in 2019 (2018: TCHF 137).

22. Financial instruments

22.1 Capital risk management

For the purpose of the Company's capital management, capital includes issued capital, share premium and all other equity reserves of the Company. Relief Therapeutics SA manages its capital structure while considering requirements from local regulations in Switzerland. The Company's objectives when managing capital (defined as "equity attributable to the Company's shareholders") are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The available funds arise from loans conceded by Relief's mother company RTH on a case by case basis. In order to maintain or adjust the capital structure, Relief may issue new shares against cash investment.

22.2. Categories of financial instruments

31 December 2019 TCHF	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
Financial assets due from shareholder	1'009	-	1'009
Financial assets due from related parties	1	-	1
Other current assets and receivables	19	-	19
Cash and cash equivalents	9	-	9
Total financial assets	1'038	-	1'038
Trade payables	-	55	55
Financial liabilities due to related parties	-	14	14
Other current payables and liabilities	-	56	56
Total financial liabilities	-	125	125

31 December 2018 TCHF	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
Financial assets due from shareholder	761	-	761
Other current assets and receivables	7	-	7
Cash and cash equivalents	37	-	37
Total financial assets	805	-	805
Shareholder's loan	-	1'150	1'150
Trade payables	-	2	2
Financial liabilities due to related parties	-	23	23
Other current payables and liabilities	-	31	31
Total financial liabilities	-	1'206	1'206

The carrying amounts of financial assets financial liabilities recognized in the financial statements approximate their fair values.

22.3 Reconciliation of liabilities arising from financing activities

2019 TCHF	Opening balance	Financing cash flows	Non-cash transaction Loan waiver	Closing balance
Shareholder's loan	1'150	240	(1'390)	-
Total	1'150	240	(1'390)	-

2018 TCHF	Opening balance	Financing cash flows	Closing balance
Shareholder's loan	695	455	1'150
Total	695	455	1'150

22.4 Financial risk management

Except for some liquidity risk in relation to the financial liabilities, the Company is not exposed to any significant financial risks such as credit risk, liquidity risk or market risk (including interest-rate and currency risk). Counterparty risk is also minimized by ensuring that all financial assets are placed with a well-known private bank in Switzerland.

Liquidity risk

All financial liabilities are due within the next 3 months and are non-interest bearing.

22.5 Fair value measurement

At 31 December 2019 as well as 31 December 2018, there were no assets or liabilities measured at fair value. For all other financial assets and liabilities their carrying amount at amortized cost approximates fair value.

23. Related party transactions

23.1 Compensation for executive management

TCHF	2019	2018
Fees, salaries and other short-term employee benefits	10	56
Post-employment benefits	50	-
Total compensation for executive management	60	56

For comparability, "fees, salaries and other short-term employee benefits" for 2018 also included post-employment benefits amounting TCHF 46.

23.2 Compensation for members of the Board of Directors

During 2019 and 2018 the members of the Board of Directors did not receive any fees.

23.3 Related party balances and transactions

In 2019, the Company sublet part of their offices to a related party for which the Company received TCHF 2 (2018: TCHF 6).

For further related party transactions, refer to notes 6, 11 and 14 for any related party balances. Other than recharging of certain costs to the sole shareholder as well as the financing received from the shareholder including the debt forgiveness of TCHF 1'390 (note 11) and the sub-lease mentioned above, there were no other related party transactions.

24. Leases

Leases mainly relate to leased office spaces and car parks in Geneva. The rental agreements can be cancelled within 3 months. Therefore, they are considered short-term leases. Total lease expense in 2019 were TCHF 28 before recharge (2018: TCHF 28). Further, in 2019, there was an income from subleasing the office of TCHF 2 before recharge (2018: TCHF 6).

As at 31 December 2019, there were no non-cancellable lease commitments for short-term leases (31 December 2018: TCHF 8) as the lease was cancelled as at 30 September 2019 and taken over by the sole shareholder of the Company.

25. Non-cash transactions

In 2019 and 2018, the Company did not enter into any significant non-cash investing and financing activities which are not reflected in the statement of cash flow.

26. Contingent liabilities

26.1 Litigation

At 31 December 2019, the Company is not party to any legal, administrative or arbitral proceedings, the outcome of which, if adverse to the Company, may be material to its business, financial condition and results of operation taken as a whole.

27. Subsequent events

On August 12, 2019, RTH announced the execution of a bidding Share Exchange Agreement ("SEA") for the divestment of its subsidiary Relief to Sonnet. Pursuant to the terms of the SEA Sonnet had to meet certain condition precedents including its listing on a US stock market before closing could occur. Chanticleer (Nasdaq: BURG) announced on October 10, 2019 the execution of a merger agreement with Sonnet BioTherapeutics and on February 14, 2020 that its registration statement on SEC Form S-4 filed with Securities and Exchange Commission (the "SEC") in connection with its merger with Sonnet was declared effective by the SEC on February 11, 2020. This was a major achievement to closing of the SEA with RTH and the acquisition of Relief by Sonnet. Closure of the SEA is expected shortly after publication of the present Financial Statements.

28. Approval of financial statements

These financial statements were approved by the Board of Directors on 20 March 2020.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

Sonnet BioTherapeutics, Inc. (“Sonnet Sub”) and Chanticleer Holdings, Inc. (“Chanticleer”) entered into an Agreement and Plan of Merger dated October 10, 2019 (the “Merger Agreement”), by and among the Company, Sonnet Sub and Biosub, Inc., a Delaware corporation and wholly owned subsidiary of the Company (“Merger Sub”), as amended by Amendment No. 1 entered into as of February 7, 2020 (the “First Amendment”) (the Merger Agreement, as amended by the First Amendment, the “Amended Merger Agreement”) as approved on March 18, 2019, pursuant to which Merger Sub merged with and into Sonnet Sub, with Sonnet Sub surviving as a wholly-owned subsidiary of the Company (the “Merger”).

Following shareholder approval on March 18, 2018, but prior to the Merger, Sonnet Sub consummated a reverse stock split of its issued and outstanding common stock (the “Common Stock”) in a ratio of 1 for 26. All pro forma numbers and per share amounts of Common Stock have been retroactively restated to reflect the reverse split. On April 1, 2020, in connection with the Merger, the Company changed its name from Chanticleer Holdings, Inc. to Sonnet BioTherapeutics Holdings, Inc.

The following selected unaudited pro forma condensed combined financial data gives effect to (i) Sonnet’s acquisition of Relief, (ii) the reverse recapitalization discussed below, (iii) the Pre-Merger Financing, and (iv) proceeds from Sonnet Sub’s Pre-Closing Private Placement Transactions (collectively, the “Pro Forma Events”).

The merger is accounted for as a reverse recapitalization under U.S. GAAP because Chanticleer had nominal operations and assets at the time of the Merger. Sonnet was determined to be the accounting acquirer based upon the terms of the merger and other factors including: (i) Sonnet Stockholders own approximately 92% of the Fully Diluted Common Stock (ii) Sonnet Sub hold all of the board seats of the combined company and (iii) Sonnet Sub’s management will hold all key positions in the management of the combined company.

The unaudited pro forma condensed combined balance sheet data assume that the Pro Forma Events took place on December 31, 2019 and combines the Sonnet Sub, Relief and Chanticleer historical balance sheets at December 31, 2019. The unaudited pro forma condensed combined statements of operations data assume that the Pro Forma Events took place as of October 1, 2018, and combines the historical results of Sonnet Sub for the year ended September 30, 2019 and the historical results of, Relief and Chanticleer for year ended December 31, 2019. The historical financial statements of Sonnet are provided in Exhibits 99.2 and 99.3. The historical financial statements of Relief are provided in Exhibit 99.4. The historical financial statements of Chanticleer are included in the Chanticleer report 10-K filed with the SEC on March 19, 2020. These financial statements have been adjusted to give pro forma effect to events that are (i) directly attributable to the merger, (ii) factually supportable, and (iii) with respect to the statements of operations, expected to have a continuing impact on the combined results.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

Relief reports on a calendar year and has a different year end than Sonnet.

A twelve-month statement of operations for the period ended September 30, 2019 was derived as follows:

Relief unaudited statement of operations for the nine months ended September 30, 2019

Plus Relief audited statement of operations for the year ended December 31, 2018

Less Relief unaudited statement of operations for the nine months ended September 30, 2018

A three-month statement of operations for the period ended December 31, 2019 was derived as follows:

Relief audited statement of operations for the year ended December 31, 2019

Less Relief unaudited statement of operations for the nine months ended September 30, 2019

The unaudited pro forma condensed combined financial statements are based on the assumptions and adjustments that are described in the accompanying notes. The unaudited pro forma condensed combined financial statements and pro forma adjustments have been prepared based on preliminary estimates of fair value of assets acquired and liabilities assumed. A final determination of these estimated fair values will be based on the actual net tangible assets of Relief that exist as of the date of completion of the transaction. Differences between these preliminary estimates and the final fair value of assets and liabilities acquired may occur and these differences could have a material impact on the accompanying unaudited pro forma condensed combined financial statements and the combined organization's future results of operations and financial position.

The unaudited pro forma condensed combined financial statements do not give effect to the potential impact of current financial conditions, regulatory matters, operating efficiencies or other savings or expenses that may be associated with the acquisition. The unaudited pro forma condensed combined financial statements have been prepared for illustrative purposes only and are not necessarily indicative of the financial position or results of operations in future periods or the results that actually would have been realized had the recapitalization have occurred and Sonnet been a combined organization during the specified period. The unaudited pro forma condensed combined financial statements, including the notes thereto, should be read in conjunction with the separate Sonnet, Relief and Chanticleer historical financial statements.

Unaudited Pro Forma Condensed Combined Balance Sheet
As of December 31, 2019
(In thousands)

	Sonnet BioTherapeutics, Inc.	Relief Therapeutics SA	Pro Forma Adjustments	Notes	Pro Forma Sonnet BioTherapeutics, Inc.	Reverse Recapitalization	Notes	Pro Forma Combined
Assets								
Current assets:								
Cash and cash equivalents	\$ 889	\$ 9	\$ 1,355	A	\$ 2,253	\$ 9,000	E	\$ 11,253
Related party receivable	—	1,027	—		1,027	—		1,027
Prepaid expenses and other current assets	20	27	—		47	—		47
Total current assets	<u>909</u>	<u>1,063</u>	<u>1,355</u>		<u>3,327</u>	<u>9,000</u>		<u>12,327</u>
Property and equipment	\$ 48	\$ —	—		48	\$ —		48
Total assets	<u>\$ 957</u>	<u>\$ 1,063</u>	<u>\$ 1,355</u>		<u>\$ 3,375</u>	<u>\$ 9,000</u>		<u>\$ 12,375</u>
Liabilities and stockholders' equity (deficit)								
Current liabilities:								
Related-party notes	\$ 1	\$ —	\$ —		\$ 1	\$ —		\$ 1
Accounts payable	3,207	56	(56)	D	3,207	—		3,207
Other accrued expenses	148	142	—		290	1,042	F	1,332
Related party payable	—	14	—		14	—		14
Total current liabilities	<u>3,356</u>	<u>212</u>	<u>(56)</u>		<u>3,512</u>	<u>1,042</u>		<u>4,554</u>
Defined benefit obligation	—	138	(138)	C	—	—		—
Total liabilities	<u>3,356</u>	<u>350</u>	<u>(194)</u>		<u>3,512</u>	<u>1,042</u>		<u>4,554</u>
Stockholders' equity (deficit):								
Common stock	12,510	212	16,980	A,B	29,702	(29,701)	G	1
Additional paid-in capital	—	607	(607)	B	—	42,701	G	42,701
Accumulated deficit	(14,909)	(106)	(14,824)	B	(29,839)	(5,042)	G	(34,881)
Total stockholders' equity (deficit)	<u>(2,399)</u>	<u>713</u>	<u>1,549</u>		<u>(137)</u>	<u>7,958</u>		<u>7,821</u>
Total liabilities and stockholders' equity	<u>\$ 957</u>	<u>\$ 1,063</u>	<u>\$ 1,355</u>		<u>\$ 3,375</u>	<u>\$ 9,000</u>		<u>\$ 12,375</u>

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Three Months Ended December 31, 2019
(In thousands, except share and per share data)

	Sonnet BioTherapeutics, Inc.	Relief Therapeutics SA	Pro Forma Adjustments	Notes	Pro Forma Combined
Costs and expenses:					
Research and development	\$ 1,408	\$ 10	\$ —		\$ 1,418
Selling, general and administrative	1,061	112	(231)	H	942
Total costs and expenses	<u>2,469</u>	<u>122</u>	<u>(231)</u>		<u>2,360</u>
Loss from operations	(2,469)	(122)	231		(2,360)
Other income (expense)	—	133	—		133
Total other income (expenses)	<u>—</u>	<u>133</u>	<u>—</u>		<u>133</u>
(Loss) income before taxes	(2,469)	11	231		(2,227)
Income tax expense	—	(10)	—		(10)
Net (loss) income	<u>\$ (2,469)</u>	<u>\$ 1</u>	<u>\$ 231</u>		<u>\$ (2,237)</u>
Net loss per share, basic and diluted	<u>\$ (1.22)</u>				<u>\$ (0.25)</u>
Weighted average common shares outstanding, basic and diluted	<u>2,018,095</u>			J,K	<u>9,105,218</u>

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Year Ended September 30, 2019
(In thousands, except share and per share data)

	Sonnet BioTherapeutics, Inc.	Relief Therapeutics SA	Pro Forma Adjustments	Notes	Pro Forma Combined
Costs and expenses:					
Research and development	\$ 2,199	\$ 68	\$ —		\$ 2,267
Selling, general and administrative	2,509	81	(177)	H	2,413
Depreciation and amortization	—	3	(3)	I	—
Total costs and expenses	<u>4,708</u>	<u>152</u>	<u>(180)</u>		<u>4,680</u>
Loss from operations	(4,708)	(152)	180		(4,680)
Interest expense	(163)	—	—		(163)
Other income (expense)	—	1,379	—		1,379
Total other income (expenses)	<u>(163)</u>	<u>1,379</u>	<u>—</u>		<u>1,216</u>
Net loss	<u>\$ (4,871)</u>	<u>\$ 1,227</u>	<u>\$ 180</u>		<u>\$ (3,464)</u>
Net loss per share, basic and diluted	<u>\$ (2.52)</u>				<u>\$ (0.38)</u>
Weighted average common shares outstanding, basic and diluted	<u>1,931,396</u>			J,K	<u>9,001,825</u>

Notes to the Unaudited Pro Forma Condensed Combined Financial Statements

(1) Description of Transactions

Merger

Sonnet BioTherapeutics, Inc. (“Sonnet Sub”) and Chanticleer Holdings, Inc. (“Chanticleer”) entered into an Agreement and Plan of Merger dated October 10, 2019 (the “Merger Agreement”), by and among the Company, Sonnet Sub and Biosub, Inc., a Delaware corporation and wholly owned subsidiary of the Company (“Merger Sub”), as amended by Amendment No. 1 thereto made and entered into as of February 7, 2020 (the “First Amendment”) (the Merger Agreement, as amended by the First Amendment, the “Amended Merger Agreement”) as approved on March 18, 2019, pursuant to which Merger Sub merged with and into Sonnet Sub, with Sonnet Sub surviving as a wholly-owned subsidiary of the Company (the “Merger”).

In connection with, and immediately prior to the completion of, the Merger, the Company effected a reverse stock split of the Company’s common stock, par value \$0.0001 per share (the “Common Stock”), at a ratio of 1-for-26 (the “Reverse Stock Split”). Immediately after completion of the Merger, the Company changed its name to “Sonnet BioTherapeutics Holdings, Inc.,” focused on advancing Sonnet Sub’s pipeline of oncology candidates and the strategic expansion of Sonnet Sub’s technology platform into other human diseases. Additionally, as part of the transaction, on April 1, 2020, the Company spun-off its restaurant operations into a newly-created wholly-owned subsidiary, Amergent Hospitality Group, Inc. (the “Spin-Off Entity” or “Amergent”), the equity of which was distributed out to the stockholders of the Company as of the close of business on March 26, 2020.

Under the terms of the Amended Merger Agreement, the Company issued shares of Common Stock to Sonnet Sub’s stockholders at an exchange ratio (the “Exchange Ratio”) of approximately 0.106572 shares of Common Stock, after taking into account the Reverse Stock Split (2.770872 prior to the reverse split), for each share of Sonnet Sub’s common stock outstanding immediately prior to the Merger. The Company also assumed all outstanding and unexercised warrants to purchase shares of Sonnet Sub’s common stock, and in connection with the Merger they were converted into warrants (the “Converted Warrants”) to purchase Common Stock, with the number of shares subject to such warrants, and the exercise price, being appropriately adjusted to reflect the Exchange Ratio. As a result, immediately following the Merger, there were outstanding Converted Warrants to purchase an aggregate of approximately 106,000 shares of Common Stock, all with terms of three years from their respective dates of issuance, between October 2019 and February 2020, and with an exercise price of \$29.32 per share.

Immediately following the Merger, former stockholders and warrant holders of Sonnet Sub own, or hold rights to acquire, in aggregate, approximately 92% of the Fully Diluted Common Stock and the Company’s stockholders and warrant holders immediately prior to the Merger own or hold the right to own approximately 6% of the Fully-Diluted Common Stock and the Spin-Off Entity holds a warrant to purchase 2% of the the number of shares of issued and outstanding Common Stock. The Spin-Off Entity warrant holders cannot exercise the warrant until 180 days after the closing date.

Pre-Merger Financing

On February 7, 2020, Sonnet and Chanticleer entered into a securities purchase agreement (the “Securities Purchase Agreement”), with certain accredited investors (the “Investors”) pursuant to which, among other things, Sonnet Sub agreed to issue to the Investors shares of Sonnet Common Stock immediately prior to the merger and Chanticleer agreed to issue to the Investors warrants to purchase shares of Chanticleer Common Stock on the tenth trading day following the consummation of the merger in a private placement transaction for an aggregate purchase price of approximately \$19 million which is comprised of a \$4 million credit to Chardan Capital Markets, LLC (“Chardan”), in lieu of certain transaction fees otherwise owed to Chardan by Sonnet Sub, and \$15 million in cash from the other Investors.

Notes to the Unaudited Pro Forma Condensed Combined Financial Statements

Acquisition of Relief

In connection with and prior to the Merger, on April 1, 2020, Sonnet Sub completed its acquisition of the global development rights for Atexakin Alfa from Relief Therapeutics Holding SA (“Relief Holding”) through its acquisition of Relief Holding’s wholly-owned subsidiary, Relief Therapeutics SA (“Relief”), in exchange for the issuance to Relief Holding of shares of Sonnet Sub common stock that converted into an aggregate of 757,935 shares of Common Stock in the Merger.

The Share Exchange Agreement with Relief is accounted for as an asset acquisition as substantially all of the fair value of the gross assets acquired is concentrated Relief’s atexakin alfa asset. The closing occurred immediately prior to the Merger.

(2) Basis of Presentation

The unaudited pro forma condensed combined financial statements were prepared in accordance with the regulations of the SEC. The unaudited pro forma condensed combined balance sheet as of December 31, 2019 is presented as if the Pro Forma Events had been completed on December 31, 2019. The unaudited pro forma condensed combined statement of operations for the year ended September 30, 2019 and three months ended December 31, 2019 assumes that the Pro Forma Events occurred on October 1,

The historical financial information of Relief was prepared in accordance with IFRS and presented in Swiss francs. The historical financial information was translated from Swiss francs to U.S. dollars using an average exchange rate of 1.00 CHF to \$1.01 for the twelve months ended September 30, 2019 and the three months ended December 31, 2019. The spot exchange rate of 1.00 CHF to \$1.02 as of December 31, 2019. There were no adjustments to convert Reliefs financial information from IFRS to U.S. GAAP.

Notes to the Unaudited Pro Forma Condensed Combined Financial Statements

For accounting purposes, Sonnet is considered to be the acquiring company and the merger will be accounted for as a reverse recapitalization of Chanticleer by Sonnet because on the merger date, Chanticleer will have nominal assets and operations as a result of the Disposition.

Under reverse recapitalization accounting, the assets and liabilities, if any, of Chanticleer would be recorded, as of the completion of the merger, at their book value because of the short-term nature of the instruments. No goodwill or intangible assets will be recognized and any excess consideration transferred over the value of the net assets, if any, of Chanticleer following determination of the actual purchase consideration for Chanticleer will be reflected as a reduction to equity. Consequently, the combined financial statements of Sonnet reflect the operations of Sonnet, the acquirer for accounting purposes, together with a deemed issuance of shares, equivalent to the shares held by the former stockholders of Chanticleer, the legal acquirer, and a recapitalization of the equity of the accounting acquirer. The historical financial statements of Chanticleer are included in the Chanticleer report 10-K filed with the SEC on March 19, 2020 have been adjusted to give pro forma effect to events that are (i) directly attributable to the merger, (ii) factually supportable, and (iii) with respect to the statements of operations, expected to have a continuing impact on the combined results.

To the extent there are significant changes to the business following completion of the merger, the assumptions and estimates set forth in the unaudited pro forma condensed combined financial statements could change significantly. Accordingly, the pro forma adjustments are subject to further adjustments as additional information becomes available and as additional analyses are conducted following the completion of the merger. There can be no assurances that these additional analyses will not result in material changes to the estimates of fair value.

(3) Pro Forma Adjustments

- A. Reflects \$1.4 million in proceeds from Pre-Closing Private Placement Transactions.
 - B. Reflects accounting for the acquisition of Relief as an asset acquisition and expensing the fair value allocated to the atexakin program as in-process research and development since Sonnet Sub determined the asset has no alternative future use without further development and regulatory approval.
 - C. Reflects elimination of Swiss pension not assumed from the Relief acquisition.
 - D. Reflects the settlement of IP maintenance fees in connection with the acquisition of Relief.
 - E. Reflects (i) \$15.0 million in proceeds from the Pre-Merger Financing, and (ii) \$(6) million payment of Payoff Amount upon consummation of the Merger.
 - F. Reflects accrued expenses as result of the Disposition and accrual of transaction costs in connection with the Merger.
-

Notes to the Unaudited Pro Forma Condensed Combined Financial Statements

- G. To record (i) sale of Sonnet Sub common stock, in connection with the Pre-Merger Financing, (ii) issuance of common stock and warrants including the conversion of Series 2 Preferred Stock issued pursuant to the Bridge Financing to Chanticleer and disbursement of Payoff Amount in connection with the reverse recapitalization, (iii) transaction costs associated with the Merger, (iv) issuance of common stock to financial adviser upon consummation of the Merger and (v) Exchange Ratio adjustment to Sonnet Sub's common stock outstanding.

<i>(amounts in thousands)</i>	Common Stock		Additional Paid-In Capital	Accumulated other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Sale of common stock in connection with Pre-Merger Financing	611,978	2	14,998	—	—	15,000
Issuance of common stock and warrants to Chanticleer including the conversion of Series 2 Preferred Stock issued pursuant to the Bridge Financing and disbursement of Payoff Amount in connection with the reverse recapitalization	549,721	—	(6,000)	—	—	(6,000)
To record transaction costs	—	—	—	—	(1,042)	(1,042)
Issuance of common stock to financial adviser upon consummation of Merger	163,194	—	4,000	—	(4,000)	—
Exchange ratio adjustment to Sonnet Sub's common stock outstanding	5,854,369	(29,703)	29,703	—	—	—
Pro forma adjustment	<u>7,179,262</u>	<u>\$ (29,701)</u>	<u>\$ 42,701</u>	<u>\$ —</u>	<u>\$ (5,042)</u>	<u>\$ 7,958</u>

- H. Reflects elimination of transaction costs recorded in historical period that will not have a continuing impact on the pro forma statement of operations.
- I. Reflects elimination of the historical Relief depreciation expense in the historical period that will not have a continuing impact on the pro forma statement of operations.
- J. The pro forma combined basic and diluted earnings per share have been adjusted to reflect the pro forma net loss for the three months ended December 31, 2019 and the year ended September 30, 2019. In addition, the number of shares used in calculating the pro forma combined basic and diluted net loss per share has been adjusted to reflect the estimated total number of shares of common stock of the combined company that would be outstanding as of the acquisition of Relief. The following table sets forth the calculation of the pro forma weighted average number of common shares outstanding – basic and diluted prior to the application of the exchange ratio.

	Three Months Ended December 31, 2019	Year Ended September 30, 2019
Historical Sonnet Sub weighted average shares outstanding	2,018,095	1,931,396
Shares issued to Relief shareholders upon consummation of acquisition	273,536	273,536
Pro forma weighted average shares outstanding	<u>2,291,631</u>	<u>2,204,932</u>

- K. The pro forma combined basic and diluted net loss per share have been adjusted to reflect the pro forma net loss the three months ended December 31, 2019 and the year ended September 30, 2019. In addition, the number of shares used in calculating the pro forma combined basic and diluted net loss per share has been adjusted to reflect the estimated total number of shares of common stock of the combined company that would be outstanding as of the closing of the merger. The following table sets forth the calculation of the pro forma weighted average number of common shares outstanding – basic and diluted.

	Three Months Ended December 31, 2019	Year Months Ended September 30, 2019
Effect of applying the 2.77088 exchange ratio to historical reverse-splitt effected Sonnet Sub's weighted average shares outstanding	5,591,893	5,351,662
Shares issued to Relief shareholders upon consummation of acquisition	757,935	757,935
Shares issued in connection with Pre-Merger Financing	1,695,717	1,695,717
Shares issued in connection with Pre-Closing Private Placement Transactions	57,762	194,600
Shares issued to Chanticleer shareholders upon consummation of Merger	549,720	549,720
Shares issued to financial adviser upon consummation of Merger	452,191	452,191
Pro forma weighted average shares outstanding	<u>9,105,218</u>	<u>9,001,825</u>

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

Sonnet BioTherapeutics, Inc. (“Sonnet Sub”) and Chanticleer Holdings, Inc. (“Chanticleer”) entered into an Agreement and Plan of Merger dated October 10, 2019 (the “Merger Agreement”), by and among the Company, Sonnet Sub and Biosub, Inc., a Delaware corporation and wholly owned subsidiary of the Company (“Merger Sub”), as amended by Amendment No. 1 entered into as of February 7, 2020 (the “First Amendment”) (the Merger Agreement, as amended by the First Amendment, the “Amended Merger Agreement”) as approved on March 18, 2019, pursuant to which Merger Sub merged with and into Sonnet Sub, with Sonnet Sub surviving as a wholly-owned subsidiary of the Company (the “Merger”).

Following shareholder approval on March 18, 2018, but prior to the Merger, Sonnet Sub consummated a reverse stock split of its issued and outstanding common stock (the “Common Stock”) in a ratio of 1 for 26. All pro forma numbers and per share amounts of Common Stock have been retroactively restated to reflect the reverse split. On April 1, 2020, in connection with the Merger, the Company changed its name from Chanticleer Holdings, Inc. to Sonnet BioTherapeutics Holdings, Inc.

The following selected unaudited pro forma condensed combined financial data gives effect to (i) the Merger, (ii) the Pre-Merger Financing, (iii) proceeds from Sonnet’s Pre-Closing Private Placement Transactions, (iv) Sonnet’s acquisition of Relief, and (v) the Disposition (collectively, the “Pro Forma Events”).

The merger is accounted for as a reverse recapitalization under U.S. GAAP because Chanticleer had nominal operations and assets at the time of the Merger. Sonnet was determined to be the accounting acquirer based upon the terms of the merger and other factors including: (i) Sonnet Stockholders own approximately 92% of the Fully Diluted Common Stock (ii) Sonnet Sub hold all of the board seats of the combined company and (iii) Sonnet Sub’s management will hold all key positions in the management of the combined company.

The Chanticleer and Sonnet unaudited pro forma condensed combined balance sheet data assume that the Pro Forma Events took place on December 31, 2019 and combines the Chanticleer and Sonnet historical balance sheets at December 31, 2019. The Chanticleer and Sonnet unaudited pro forma condensed combined statements of operations data assume that the Pro Forma Events took place as of January 1, 2019, and combines the historical results of Chanticleer for the year ended December 31, 2019, of Sonnet for the year ended September 30, 2019. The historical financial statements of Sonnet are provided in Exhibits 99.2 and 99.3. The historical financial statements of Relief are provided in Exhibits 99.4. These financial statements have been adjusted to give pro forma effect to events that are (i) directly attributable to the merger, (ii) factually supportable, and (iii) with respect to the statements of operations, expected to have a continuing impact on the combined results.

Chanticleer and Sonnet have different fiscal year ends. As Chanticleer’s fiscal year ended December 31 is within 93 days of Sonnet’s fiscal year ended September 30, pro forma condensed combined statement of operations for the year ended December 31, 2019 includes Sonnet’s operating results for its respective fiscal year ended September 30, 2019 as permitted by Rule 11-02 of Regulation S-X. Immediately following the completion of the Merger, the continuing reporting entity will have a fiscal year ended September 30.

The unaudited pro forma condensed combined financial statements are based on the assumptions and adjustments that are described in the accompanying notes. The unaudited pro forma condensed combined financial statements and pro forma adjustments have been prepared based on preliminary estimates of fair value of assets acquired and liabilities assumed as of the date of completion of the transaction. Differences between these preliminary estimates and the final fair value of assets and liabilities acquired may occur and these differences could have a material impact on the accompanying unaudited pro forma condensed combined financial statements and the combined organization’s future results of operations and financial position.

The unaudited pro forma condensed combined financial statements do not give effect to the potential impact of current financial conditions, regulatory matters, operating efficiencies or other savings or expenses that may be associated with the acquisition. The unaudited pro forma condensed combined financial statements have been prepared for illustrative purposes only and are not necessarily indicative of the financial position or results of operations in future periods or the results that actually would have been realized had Chanticleer and Sonnet been a combined organization during the specified period. The unaudited pro forma condensed combined financial statements, including the notes thereto, should be read in conjunction with the separate Sonnet, Relief and Chanticleer historical financial statements.

Unaudited Pro Forma Condensed Combined Balance Sheet
As of December 31, 2019
(In thousands)

	Sonnet BioTherapeutics, Inc.	Relief Therapeutics SA	Pro Forma Adjustments	Notes	Pro Forma Sonnet BioTherapeutics, Inc.	Chanticleer Holdings, Inc.	Pro Forma Adjustments	Notes	Pro Forma Combined
Assets									
Current assets:									
Cash and cash equivalents	\$ 889	\$ 9	\$ 1,355	A	\$ 2,253	\$ 501	\$ 8,499	E	\$ 11,253
Accounts receivable	—	—	—		—	132	(132)	F	—
Related party receivable	—	1,027	—		1,027	—	—		1,027
Inventories	—	—	—		—	287	(287)	F	—
Prepaid expenses and other current assets	20	27	—		47	250	(250)	F	47
Assets held for sale, net	—	—	—		—	—	—		—
Total current assets	909	1,063	1,355		3,327	1,170	7,830		12,327
Property and equipment	\$ 48	\$ —	\$ —		\$ 48	\$ 5,630	\$ (5,630)	F	\$ 48
Operating lease assets	—	—	—		—	11,668	(11,668)	F	—
Goodwill	—	—	—		—	8,568	(8,568)	F	—
Intangible assets, net	—	—	—		—	3,657	(3,657)	F	—
Investments	—	—	—		—	381	(381)	F	—
Deposits and other assets	—	—	—		—	309	(309)	F	—
Assets of discontinued operations	—	—	—		—	149	(149)	F	—
Total assets	\$ 957	\$ 1,063	\$ 1,355		\$ 3,375	\$ 31,532	\$ (22,532)		\$ 12,375
Liabilities and stockholders' equity (deficit)									
Current liabilities:									
Current portion of long-term debt and notes payable	\$ —	\$ —	\$ —		\$ —	\$ 6,631	\$ (6,631)	G	\$ —
Related-party notes	1	—	—		1	—	—		1
Accounts payable	3,207	56	(56)	D	3,207	4,219	(4,219)	F	3,207
Other accrued expenses	148	142	—		290	3,945	(2,903)	H	1,332
Operating lease liabilities - current	—	—	—		—	3,299	(3,299)	F	—
Related party payable	—	14	—		14	—	—		14
Total current liabilities	3,356	212	(56)		3,512	18,094	(17,052)		4,554
Redeemable preferred stock	—	—	—		—	710	(710)	I	—
Long-term operating lease liabilities	—	—	—		—	14,382	(14,382)	F	—
Deferred revenue	—	—	—		—	959	(959)	F	—
Deferred tax liabilities	—	—	—		—	102	(102)	F	—
Defined benefit obligation	—	138	(138)	C	—	—	—		—
Liabilities of discontinued operations	—	—	—	A	—	436	(436)	F	—
Total liabilities	3,356	350	(194)		3,512	34,683	(33,641)		4,554
Stockholders' equity (deficit):									
Common stock	12,510	212	16,980	A,B	29,702	1	(29,702)	J	1
Additional paid-in capital	—	607	(607)	B	—	71,506	(28,805)	J	42,701
Accumulated other comprehensive income (loss)	—	—	—		—	(46)	46	J	—
Accumulated deficit	(14,909)	(106)	(14,824)	B	(29,839)	(75,068)	70,026	J	(34,881)
Total stockholders' equity (deficit)	(2,399)	713	1,549		(137)	(3,607)	11,565		7,821
Equity attributable to non-controlling interests	—	—	—		—	456	(456)	J	—
Total liabilities and stockholders' equity	\$ 957	\$ 1,063	\$ 1,355		\$ 3,375	\$ 31,532	\$ (22,532)		\$ 12,375

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Year Ended December 31, 2019
(In thousands, except share and per share data)

	Sonnet BioTherapeutics, Inc. Year ended September 30, 2019	Relief Therapeutics SA	Pro Forma Adjustments	Notes	Pro Forma Sonnet BioTherapeutics, Inc.	Chanticleer Holdings, Inc.	Pro Forma Adjustments	Notes	Pro Forma Combined
Revenues	\$ —	\$ —	\$ —		\$ —	\$ 30,143	\$ (30,143)	F	\$ —
Costs and expenses:									
Cost of revenues	—	—	—		—	29,263	(29,263)	F	—
Research and development	2,199	39	—		2,238	—	—		2,238
Selling, general and administrative	2,509	196	(107)	K	2,598	5,966	(5,966)	M	2,598
Asset impairment charge	—	—	—		—	9,150	(9,150)	F	—
Depreciation and amortization	—	1	(1)	L	—	1,842	(1,842)	F	—
Total costs and expenses	4,708	236	(108)		4,836	46,221	(46,221)		4,836
Loss from operations	(4,708)	(236)	108		(4,836)	(16,078)	16,078		(4,836)
Interest expense	(163)	—	—		(163)	(674)	674	F	(163)
Other income (expense)	—	1,507	—		1,507	(617)	617	F	1,507
Total other income (expenses)	(163)	1,507	—		1,344	(1,291)	1,291		1,344
Loss before income taxes	(4,871)	1,271	108		(3,492)	(17,369)	17,369		(3,492)
Income tax benefit (expense)	—	(10)	—		(10)	(74)	74	F	(10)
Net loss	\$ (4,871)	\$ 1,261	\$ 108		\$ (3,502)	\$ (17,443)	\$ 17,443		\$ (3,502)
Net loss attributable to noncontrolling interests	—	—	—		—	402	(402)	F	—
Net loss attributable to the company	\$ (4,871)	\$ 1,261	\$ 108		\$ (3,502)	\$ (17,041)	\$ 17,041		\$ (3,502)
Dividends on redeemable preferred stock	—	—	—		—	(112)	112	F	—
Net loss attributable to common stockholders	\$ (4,871)	\$ 1,261	\$ 108		\$ (3,502)	\$ (17,153)	\$ 17,153		\$ (3,502)
Net loss per share, basic and diluted	\$ (2.43)				\$ (1.55)	\$ (63.90)			\$ (0.39)
Weighted average common shares outstanding, basic and diluted	2,002,125			N	2,275,661	268,417		O	9,001,825

Notes to the Unaudited Pro Forma Condensed Combined Financial Statements

(1) Description of Transactions

Merger

Sonnet BioTherapeutics, Inc. (“Sonnet Sub”) and Chanticleer Holdings, Inc. (“Chanticleer”) entered into an Agreement and Plan of Merger dated October 10, 2019 (the “Merger Agreement”), by and among the Company, Sonnet Sub and Biosub, Inc., a Delaware corporation and wholly owned subsidiary of the Company (“Merger Sub”), as amended by Amendment No. 1 thereto made and entered into as of February 7, 2020 (the “First Amendment”) (the Merger Agreement, as amended by the First Amendment, the “Amended Merger Agreement”) as approved on March 18, 2019, pursuant to which Merger Sub merged with and into Sonnet Sub, with Sonnet Sub surviving as a wholly-owned subsidiary of the Company (the “Merger”).

In connection with, and immediately prior to the completion of, the Merger, the Company effected a reverse stock split of the Company’s common stock, par value \$0.0001 per share (the “Common Stock”), at a ratio of 1-for-26 (the “Reverse Stock Split”). Immediately after completion of the Merger, the Company changed its name to “Sonnet BioTherapeutics Holdings, Inc.,” focused on advancing Sonnet Sub’s pipeline of oncology candidates and the strategic expansion of Sonnet Sub’s technology platform into other human diseases. Additionally, as part of the transaction, on April 1, 2020, the Company spun-off its restaurant operations into a newly-created wholly-owned subsidiary, Amergent Hospitality Group, Inc. (the “Spin-Off Entity” or “Amergent”), the equity of which was distributed out to the stockholders of the Company as of the close of business on March 26, 2020.

Under the terms of the Amended Merger Agreement, the Company issued shares of Common Stock to Sonnet Sub’s stockholders at an exchange ratio (the “Exchange Ratio”) of approximately 0.106572 shares of Common Stock, after taking into account the Reverse Stock Split (2.770872 prior to the reverse split), for each share of Sonnet Sub’s common stock outstanding immediately prior to the Merger. The Company also assumed all outstanding and unexercised warrants to purchase shares of Sonnet Sub’s common stock, and in connection with the Merger they were converted into warrants (the “Converted Warrants”) to purchase Common Stock, with the number of shares subject to such warrants, and the exercise price, being appropriately adjusted to reflect the Exchange Ratio. As a result, immediately following the Merger, there were outstanding Converted Warrants to purchase an aggregate of approximately 106,000 shares of Common Stock, all with terms of three years from their respective dates of issuance, between October 2019 and February 2020, and with an exercise price of \$29.32 per share.

Immediately following the Merger, former stockholders and warrant holders of Sonnet Sub own, or hold rights to acquire, in aggregate, approximately 92% of the Fully Diluted Common Stock and the Company’s stockholders and warrant holders immediately prior to the Merger own or hold the right to own approximately 6% of the Fully-Diluted Common Stock and the Spin-Off Entity holds a warrant to purchase 2% of the the number of shares of issued and outstanding Common Stock. The Spin-Off Entity warrant holders cannot exercise the warrant until 180 days after the closing date.

Pre-Merger Financing

On February 7, 2020, Sonnet and Chanticleer entered into a securities purchase agreement (the “Securities Purchase Agreement”), with certain accredited investors (the “Investors”) pursuant to which, among other things, Sonnet Sub agreed to issue to the Investors shares of Sonnet Common Stock immediately prior to the merger and Chanticleer agreed to issue to the Investors warrants to purchase shares of Chanticleer Common Stock on the tenth trading day following the consummation of the merger in a private placement transaction for an aggregate purchase price of approximately \$19 million which is comprised of a \$4 million credit to Chardan Capital Markets, LLC (“Chardan”), in lieu of certain transaction fees otherwise owed to Chardan by Sonnet Sub, and \$15 million in cash from the other Investors.

GEM

Sonnet Sub entered into a Common Stock Purchase Agreement with GEM Global Yield Fund LLC SCS (“GEM”) on August 6, 2019 (the “Purchase Agreement”). The Purchase Agreement was amended on September 25, 2019 by an Amendment to Common Stock Purchase Agreement (the “2019 GEM Amendment”), and subsequently amended again on February 7, 2020 (the “2020 GEM Amendment” and, together with the Purchase Agreement and the 2019 GEM Amendment, the “GEM Agreement”). Pursuant to the GEM Agreement, GEM has agreed to purchase up to \$20,000,000 (the “Aggregate Limit”) of the Company’s common stock, par value \$0.0001 per share (the “Common Stock”) over a three-year period commencing on the date the Purchase Agreement was executed (the “Investment Period”); provided that during any period when the Company’s public float is less than \$75,000,000, the Aggregate Limit will instead be equal to one-third of the amount of the Company’s public float over any consecutive 12-month period. Under the GEM Agreement, during the Investment Period, the Company may, by delivering a Draw Down Notice (as defined in the GEM Agreement) direct GEM to purchase shares of Common Stock in an amount up to 400% of the average daily trading volume for the ten (10) trading days immediately preceding the date the Draw Down Notice is delivered. GEM is not obligated to purchase any shares Common Stock which would result in GEM beneficially owning, directly or indirectly, at the time of the proposed issuance, more than 4.99% of the shares of Common Stock issued and outstanding. GEM will pay a purchase price per share equal to 90% of the average market closing price of the Common Stock during the ten consecutive trading days commencing with the first trading day on which a Draw Down Notice is delivered (the “Draw Down Pricing Period”).

Notes to the Unaudited Pro Forma Condensed Combined Financial Statements

GEM represented to the Company, among other things, that it was an “accredited investor” (as such term is defined in Rule 501(a) of Regulation D under the Securities Act), and the Company will rely upon an exemption from registration contained in Section 4(a)(2) of the Securities Act and Regulation D promulgated thereunder when issuing shares of Common Stock under the GEM Agreement. The Company has agreed to file a Registration Statement with the Securities and Exchange Commission (the “SEC”) to register the shares of Common Stock to be issued to GEM pursuant to the GEM Agreement. The GEM Agreement contains customary representations, warranties, agreements and conditions to completing future sale transactions, indemnification rights and obligations of the parties. The Company has the right to terminate the GEM Agreement at any time, at no cost or penalty. Unless the Company informs GEM of an event resulting in a Materially Adverse Effect or Material Change in Ownership (all defined in the GEM Agreement) GEM does not have the right to terminate the GEM Agreement.

Acquisition of Relief

In connection with and prior to the Merger, on April 1, 2020, Sonnet Sub completed its acquisition of the global development rights for Atexakin Alfa from Relief Therapeutics Holding SA (“Relief Holding”) through its acquisition of Relief Holding’s wholly-owned subsidiary, Relief Therapeutics SA (“Relief”), in exchange for the issuance to Relief Holding of shares of Sonnet Sub common stock that converted into an aggregate of 757,935 shares of Common Stock in the Merger.

The Share Exchange Agreement with Relief is accounted for as an asset acquisition as substantially all of the fair value of the gross assets acquired is concentrated Relief’s atexakin alfa asset. The closing occurred immediately prior to the Merger.

Chanticleer Spin-Off

In connection with and prior to the Merger, on March 30, 2020, the Company contributed and transferred (the “Contribution”) to Amergent all of the assets and liabilities relating to the Company’s restaurant business conducted prior to the Merger. Previously, on March 16, 2020, the Company’s Board of Directors (the “Board”) declared a dividend with respect to the shares of Common Stock outstanding at the close of business on March 26, 2020 of one share of the Amergent common stock for each outstanding share of Common Stock. Such dividend, which together with the Contribution is referred to as the “Spin-Off,” was paid on April 1, 2020.

(2) Basis of Presentation

The unaudited pro forma condensed combined financial statements were prepared in accordance with the regulations of the SEC. The unaudited pro forma condensed combined balance sheet as of December 31, 2019 is presented as if the Pro Forma Events had been completed on December 31, 2019. The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2019 assumes that the Pro Forma Events occurred on January 1, 2019 and combines the historical results of Sonnet Sub, Relief and Chanticleer.

Chanticleer and Sonnet Sub have different fiscal year ends. As Chanticleer’s fiscal year ended December 31 is within 93 days of Sonnet Sub’s fiscal year ended September 30, Chanticleer’s pro forma condensed combined statement of operations for the year ended December 31, 2019 includes Sonnet Sub’s operating results for its respective fiscal year ended September 30, 2019 as permitted by Rule 11-02 of Regulation S-X.

Additionally, the unaudited pro forma condensed combined statements of operations data reflect the acquisition by Sonnet Sub of Relief concurrent with the merger by giving pro forma effect to the consummation of the acquisition as if it occurred on January 1, 2019. The historical financial information of Relief was prepared in accordance with IFRS and presented in Swiss francs. The historical financial information was translated from Swiss francs to U.S. dollars using an average exchange rate of 1.00 CHF to \$1.01 for the year ended December 31, 2019 and the spot exchange rate of 1.00 CHF to \$1.02 as of December 31, 2019. There were no adjustments to convert Relief’s financial information from IFRS to U.S. GAAP.

For accounting purposes, Sonnet Sub is considered to be the acquiring company and the merger will be accounted for as a reverse recapitalization of Chanticleer by Sonnet because on the merger date, Chanticleer will have nominal assets and operations as a result of the Disposition.

Notes to the Unaudited Pro Forma Condensed Combined Financial Statements

Under reverse recapitalization accounting, the assets and liabilities, if any, of Chanticleer will be recorded, as of the completion of the merger, at their book value because of the short-term nature of the instruments. No goodwill or intangible assets will be recognized and any excess consideration transferred over the value of the net assets, if any, of Chanticleer following determination of the actual purchase consideration for Chanticleer will be reflected as a reduction to equity. Consequently, the combined financial statements of Sonnet reflect the operations of Sonnet, the acquirer for accounting purposes, together with a deemed issuance of shares, equivalent to the shares held by the former stockholders of Chanticleer, the legal acquirer, and a recapitalization of the equity of the accounting acquirer. The historical financial statements of Sonnet Sub are provided in Exhibits 99.2 and 99.3. The historical financial statements of Relief are provided in Exhibits 99.4. These financial statements have been adjusted to give pro forma effect to events that are (i) directly attributable to the merger, (ii) factually supportable, and (iii) with respect to the statements of operations, expected to have a continuing impact on the combined results.

To the extent there are significant changes to the business following completion of the merger, the assumptions and estimates set forth in the unaudited pro forma condensed combined financial statements could change significantly. Accordingly, the pro forma adjustments are subject to further adjustments as additional information becomes available and as additional analyses are conducted following the completion of the merger. There can be no assurances that these additional analyses will not result in material changes to the estimates of fair value.

(3) Pro Forma Adjustments

- A. Reflects \$1.4 million in proceeds from Pre-Closing Private Placement Transactions.
- B. Reflects accounting for the acquisition of Relief as an asset acquisition and expensing the fair value allocated to the Atexakin program as in-process research and development since Sonnet Sub determined the asset has no alternative future use without further development and regulatory approval.
- C. Reflects elimination of Swiss pension not assumed from the Relief acquisition.
- D. Reflects the settlement of IP maintenance fees in connection with the acquisition of Relief.
- E. Reflects (i) elimination of Chanticleer cash as a result of the Disposition, (ii) \$15.0 million in proceeds from the Pre-Merger Financing, and (iii) payment of Payoff Amount upon consummation of the Merger.

<i>(amounts in thousands)</i>	December 31, 2019
Elimination of Chanticleer cash as a result of the Disposition	\$ (501)
Pre-Merger Financing	15,000
Payment of Payoff Amount	(6,000)
Pro forma adjustment	\$ 8,499

- F. To eliminate the operating accounts of Chanticleer as a result of the Disposition.
- G. Reflects settlement of long term debt and notes payable as required in the Merger Agreement.
- H. Reflects elimination of Chanticleer other accrued expenses as result of the Disposition and accrual of transaction costs in connection with the Merger.

<i>(amounts in thousands)</i>	December 31, 2019
Elimination of Chanticleer other accrued expenses a result of the Disposition	\$ (3,945)
Transaction costs	1,042
Pro forma adjustment	\$ (2,903)

- I. Reflects settlement of redeemable preferred stock as required in the Merger Agreement.
- J. To record (i) elimination of Chanticleer's historical equity, (ii) sale of Sonnet Sub common stock, in connection with the Pre-Merger Financing, (iii) issuance of common stock and warrants including the conversion of Series 2 Preferred Stock issued pursuant to the Bridge Financing to Chanticleer and disbursement of Payoff Amount in connection with the reverse recapitalization, (iv) transaction costs associated with the Merger, (v) issuance of common stock to financial adviser upon consummation of the Merger and (vi) Exchange Ratio adjustment to Sonnet's common stock outstanding.

<i>(amounts in thousands)</i>	Common Stock		Additional	Accumulated	Accumulated	Total	Non-
	Shares	Amount	Paid-In	other	Deficit	Stockholders'	controlling
			Capital	Income		Equity	Interest
Elimination of Chanticleer's historical carrying value	—	\$ (1)	\$ (71,506)	\$ 46	\$ 75,068	\$ 3,607	\$ (456)
Sale of common stock in connection with Pre-Merger Financing	611,978	—	15,000	—	—	15,000	—
Issuance of common stock and warrants to Chanticleer including the conversion of Series 2 Preferred Stock issued pursuant to the Bridge Financing and disbursement of Payoff Amount in connection with the reverse recapitalization	549,721	—	(6,000)	—	—	(6,000)	—
To record transaction costs	—	—	—	—	(1,042)	(1,042)	—
Issuance of common stock to financial adviser upon consummation of Merger	163,194	—	4,000	—	(4,000)	—	—
Exchange ratio adjustment to Sonnet Sub's common stock outstanding	5,804,984	(29,701)	29,701	—	—	—	—
Pro forma adjustment	<u>7,129,877</u>	<u>\$ (29,702)</u>	<u>\$ (28,805)</u>	<u>\$ 46</u>	<u>\$ 70,026</u>	<u>\$ 11,565</u>	<u>\$ (456)</u>

- K. Reflects elimination of Relief transaction costs recorded in historical period that will not have a continuing impact on the pro forma statement of operations.
- L. Reflects elimination of the historical Relief depreciation expense in the historical period that will not have a continuing impact on the pro forma statement of operations.
- M. Reflects elimination of Chanticleer selling, general and administrative expenses as a result of the Disposition and Sonnet transaction costs recorded in historical period that will not have a continuing impact on the pro forma statement of operations.

<i>(amounts in thousands)</i>	Year Ended
	December 31, 2019
Elimination of Chanticleer selling, general and administrative expenses as a result of the Disposition	\$ (5,873)
Sonnet Sub transaction costs	(93)
Pro forma adjustment	<u>\$ (5,966)</u>

- N. The pro forma combined basic and diluted earnings per share have been adjusted to reflect the pro forma net loss for the year ended December 31, 2019. In addition, the number of shares used in calculating the pro forma combined basic and diluted net loss per share has been adjusted to reflect the estimated total number of shares of common stock of the combined company that would be outstanding as of the acquisition of Relief. The following table sets forth the calculation of the pro forma weighted average number of common shares outstanding – basic and dilute

	Year Ended December 31, 2019
Historical Sonnet weighted average shares outstanding	1,931,396
Shares issued to Relief shareholders upon consummation of acquisition	273,536
Pro forma weighted average shares outstanding	<u>2,204,932</u>

- O. The pro forma combined basic and diluted net loss per share have been adjusted to reflect the pro forma net loss the year ended December 31, 2019. In addition, the number of shares used in calculating the pro forma combined basic and diluted net loss per share has been adjusted to reflect the estimated total number of shares of common stock of the combined company that would be outstanding as of the closing of the merger. The following table sets forth the calculation of the pro forma weighted average number of common shares outstanding – basic and diluted.

	Year Ended December 31, 2019
Effect of applying the 2.77088 exchange ratio to historical reverse-split affected Sonnet Sub weighted average shares outstanding	5,351,662
Shares issued to Relief shareholders upon consummation of acquisition	757,935
Shares issued in connection with Pre-Merger Financing	1,695,717
Shares issued in connection with Pre-Closing Private Placement Transactions	194,600
Shares issued to Chanticleer shareholders upon consummation of Merger	549,720
Shares issued to financial adviser upon consummation of Merger	452,191
Pro forma weighted average shares outstanding	<u>9,001,825</u>