

REFINITIV

DELTA REPORT

10-Q

CLEARSIGN TECHNOLOGIES CO

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 1101

■ CHANGES	180
■ DELETIONS	459
■ ADDITIONS	462

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **September 30, 2023** **March 31, 2024**

OR

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

For the transition period from _____ to _____

Commission File Number 001-35521

CLEARSIGN TECHNOLOGIES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

26-2056298

(State or other jurisdiction of
incorporation or organization)

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

8023 E. 63rd Place, Suite 101

Tulsa, Oklahoma 74133

(Address of principal executive offices)

(Zip Code)

(918) 236-6461

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	CLIR	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

As of November 6, 2023 May 10, 2024, the issuer has 38,565,836 45,913,546 shares of common stock, par value \$0.0001, issued and outstanding.

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PART I-FINANCIAL I - FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ClearSign Technologies Corporation and Subsidiary

Condensed Consolidated Balance Sheets

(Unaudited)

(in thousands, except share and per share data)	September 30,		December 31,		March 31, December 31,	
	2023	2022	2024	2023	2024	2023
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ 7,235	\$ 6,451	\$ 4,624	\$ 5,684		
Short-term held-to-maturity investments	—	2,606				
Accounts receivable, net	87	79	569	287		
Contract assets	7	20	—	188		
Prepaid expenses and other assets	484	577	349	350		
Total current assets	7,813	9,733	5,542	6,509		
Fixed assets, net	406	384	247	275		
Patents and other intangible assets, net	769	798	831	836		
Other assets	10	10				

Total Assets	\$ 8,998	\$ 10,925	\$ 6,620	\$ 7,620
<u>LIABILITIES AND EQUITY</u>				
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 406	\$ 296	\$ 617	\$ 366
Current portion of lease liabilities	78	133	66	71
Accrued compensation and related taxes	581	471	281	703
Contract liabilities	1,801	247	1,038	1,116
Total current liabilities	2,866	1,147	2,002	2,256
Long Term Liabilities:				
Long term lease liabilities	186	226	157	172
Total liabilities	3,052	1,373	2,159	2,428
Commitments and contingencies (Note 7)				
Commitments and contingencies (Note 8)				
Stockholders' Equity:				
Preferred stock, \$0.0001 par value, zero shares issued and outstanding	—	—	—	—
Common stock, \$0.0001 par value, 38,565,836 and 38,023,701 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	4	4	4	4
Common stock, \$0.0001 par value, 39,043,023 and 38,687,061 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively				
Additional paid-in capital	98,725	98,079	99,302	98,922
Accumulated other comprehensive loss	(21)	(8)	(20)	(17)
Accumulated deficit	(92,762)	(88,523)	(94,825)	(93,717)
Total equity	5,946	9,552	4,461	5,192
Total Liabilities and Equity	\$ 8,998	\$ 10,925	\$ 6,620	\$ 7,620

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

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ClearSign Technologies Corporation and Subsidiary
Condensed Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)

(in thousands, except share and per share data)

	For the Three Months Ended		For the Nine Months Ended		For the Three Months Ended	
	September 30,		September 30,		March 31,	
	2023	2022	2023	2022	2024	2023
Revenues	\$ 85	\$ 324	\$ 1,129	\$ 324	\$ 1,102	\$ 894
Cost of goods sold	61	201	870	201	665	788
Gross profit	24	123	259	123	437	106
Operating expenses:						
Research and development	93	97	440	393	281	160
General and administrative	1,428	1,461	4,649	4,342	1,408	1,650
Total operating expenses	1,521	1,558	5,089	4,735	1,689	1,810
Loss from operations	(1,497)	(1,435)	(4,830)	(4,612)	(1,252)	(1,704)
Other income						
Interest	85	35	237	35	61	58
Government assistance	38	88	145	100	79	93
Gain from sale of assets	—	—	5	37	—	5
Other income, net	42	—	204	—	4	119
Total other income	165	123	591	172	144	275
Net loss	\$ (1,332)	\$ (1,312)	\$ (4,239)	\$ (4,440)	\$ (1,108)	\$ (1,429)
Net loss per share - basic and fully diluted	\$ (0.03)	\$ (0.03)	\$ (0.11)	\$ (0.13)	\$ (0.03)	\$ (0.04)
Weighted average number of shares outstanding - basic and fully diluted	38,562,127	37,871,291	38,459,313	34,435,117	38,848,098	38,262,710
Comprehensive loss						
Net loss	\$ (1,332)	\$ (1,312)	\$ (4,239)	\$ (4,440)	\$ (1,108)	\$ (1,429)
Foreign-exchange translation adjustments	(1)	(10)	(13)	(20)	(3)	—
Comprehensive loss	\$ (1,333)	\$ (1,322)	\$ (4,252)	\$ (4,460)	\$ (1,111)	\$ (1,429)

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

Condensed Consolidated Statements of Stockholders' Equity

(Unaudited)

For the Three Month Periods During the Nine Months Ended September 30, 2023 March 31, 2024 and 2022 2023

(in thousands, except per share data)	Total ClearSign					Total ClearSign					Accumulated Other					
	Accumulated Other					Technologies Corp.					Accumulated Other					
	Common Stock	Additional	Comprehensive	Accumulated	Stockholders'	Common Stock	Additional	Comprehensive	Accumulated	Stockholders'	Common Stock	Additional	Comprehensive	Accumulated	Stockholders'	
Balances at																
December 31, 2022	38,023	\$ 4	\$ 98,079	\$ (8)	\$ (88,523)	9,552										
Balances at																
December 31, 2023							38,687	\$ 4	\$ 98,922	\$ (17)	\$ (93,717)					
Share-based compensation	223	—	227	—	—	227	67	—	67	—	—					
Tax withholdings related to share-based compensation							(22)	—	(16)	—	—					
Fair value of stock issued in payment of accrued compensation	296	—	234	—	—	234	307	—	326	—	—					
Shares issued for services (\$0.66 per share)	4	—	3	—	—	3										
Net loss	—	—	—	—	(1,429)	(1,429)										
Balances at																
March 31, 2023	38,546	4	98,543	(8)	(89,952)	8,587										
Share-based compensation	—	—	59	—	—	59										
Shares issued upon exercise of options (\$0.54 per share)	12	—	—	—	—	—										
Shares issued for services (\$0.66 per share)	4	—	2	—	—	2										

Shares issued for services (\$0.81 per share)	4	—	3	—	—
Foreign-Exchange Translation Adjustment	—	—	(12)	—	(12)
Net loss	—	—	—	(1,478)	(1,478)
Balances at June 30, 2023	38,562	4	98,604	(20)	(91,430)
Share-based compensation	—	—	119	—	—
Shares issued for services (\$0.66 per share)	4	—	2	—	—
Foreign-Exchange Translation Adjustment	—	—	—	(1)	—
Net loss	—	—	—	—	(1,332)
Balances at September 30, 2023	38,566	\$ 4	\$ 98,725	\$ (21)	\$ (92,762)
Balances at March 31, 2024	39,043	\$ 4	\$ 99,302	\$ (20)	\$ (94,825)

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(in thousands, except per share data)	Total ClearSign Technologies Corp.					
	Common Stock		Additional Paid-In Capital		Comprehensive Income (Loss)	Accumulated Deficit
	Shares	Amount	\$	91,035	\$	9 \$ (82,765)
Balances at December 31, 2021	31,582	\$ 3	\$	91,035	\$	9 \$ (82,765)
Shares issued upon exercise of options (\$0.89 per share)	1	—	—	—	—	—

Shares issued upon exercise of options (\$2.93 per share)	3	—	—	—	—	—
Fair value of stock issued in payment of accrued compensation	66	—	95	—	—	95
Fair value of stock options granted in payment of accrued compensation	—	—	12	—	—	12
Share based compensation	3	—	80	—	—	80
Shares issued through the use of At-The Market issuance (\$1.24 average per share)	496	—	578	—	—	578
Shares issued for services (\$1.93 per share)	4	—	7	—	—	7
Net loss	—	—	—	—	(1,490)	(1,490)
Balances at March 31, 2022	32,155	3	91,807	9	(84,255)	7,564
Share based compensation	—	—	50	—	—	50
Shares issued through the use of At-The Market issuance (\$1.71 average per share)	5	—	9	—	—	9
Shares issued for services (\$1.93 per share)	4	—	7	—	—	7
Shares issued in stock offering (\$1.11 average per share)	4,186	1	4,210	—	—	4,211
Foreign-Exchange Translation Adjustment	—	—	—	(10)	—	(10)
Net loss	—	—	—	—	(1,638)	(1,638)
Balances at June 30, 2022	36,350	4	96,083	(1)	(85,893)	10,193
Share based compensation	64	—	177	—	—	177
Shares issued upon cashless exercise of options (\$0.89 per share)	10	—	—	—	—	—
Shares issued pursuant to purchase right (\$1.11 per share)	1,592	—	1,741	—	—	1,741
Shares issued for services (\$1.93 per share)	4	—	7	—	—	7
Foreign-Exchange Translation Adjustment	—	—	—	(10)	—	(10)
Net loss	—	—	—	—	(1,312)	(1,312)
Balances at September 30, 2022	38,020	\$ 4	\$ 98,008	\$ (11)	\$ (87,205)	\$ 10,796

(in thousands, except per share data)	Total ClearSign Technologies Corp.					
	Common Stock		Additional	Comprehensive	Accumulated	Stockholders' Equity
	Shares	Amount	Paid-In Capital	Income (Loss)	Deficit	
Balances at December 31, 2022	38,023	\$ 4	\$ 98,079	\$ (8)	\$ (88,523)	\$ 9,552
Share based compensation	223	—	227	—	—	227
Fair value of stock issued in payment of accrued compensation	296	—	234	—	—	234
Shares issued for services (\$0.66 per share)	4	—	3	—	—	3
Net loss	—	—	—	—	(1,429)	(1,429)
Balances at March 31, 2023	38,546	\$ 4	\$ 98,543	\$ (8)	\$ (89,952)	\$ 8,587

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

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ClearSign Technologies Corporation and Subsidiary
Condensed Consolidated Statements of Cash Flows
(Unaudited)

(in thousands)	For the Nine Months Ended September 30,		For the Three Months Ended March 31,	
	2023	2022	2024	2023
Cash flows from operating activities:				
Net loss	\$ (4,239)	\$ (4,440)	\$ (1,108)	\$ (1,429)
Adjustments to reconcile net loss to net cash used in operating activities:				
Common stock issued for services	7	21	3	3
Share-based compensation	419	307	67	242
Reserve for share-based compensation tax withholdings			(16)	—
Depreciation and amortization	231	113	45	80
Gain from sale of fixed assets	(5)	(37)	—	(5)
Right of use asset amortization	105	116	22	43
Realized gain from marketable securities	(79)	—	—	(20)
Lease Amendments	(14)	—	—	(14)
Impairment of intangible assets	14	—		
Change in operating assets and liabilities:				
Contract assets	13	(245)	188	16
Accounts receivable	(8)	(5)	(282)	29
Prepaid expenses and other assets	(116)	(161)	1	51
Accounts payable and accrued liabilities	6	(99)	253	57
Accrued compensation and related taxes	329	189	(96)	1
Contract liabilities	1,554	(23)	(78)	392
Net cash used in operating activities	<u>(1,783)</u>	<u>(4,264)</u>	<u>(1,001)</u>	<u>(554)</u>
Cash flows from investing activities:				
Acquisition of fixed assets	—	(5)		
Disbursements for patents and other intangible assets	(95)	(114)	(34)	(24)
Proceeds from sale of fixed assets	5	37	—	5
Purchases of held-to-maturity short-term U.S. treasuries	(2,162)	(3,900)	—	(2,162)
Redemption of held-to-maturity short-term U.S. treasuries	4,847	—	—	1,627
Net cash provided by (used in) investing activities	<u>2,595</u>	<u>(3,982)</u>		
Net cash used in investing activities			(34)	(554)
Cash flows from financing activities:				
Proceeds from issuance of common stock, net of offering costs	—	6,539		
Taxes paid related to vesting of restricted stock units	(15)	—	(22)	(15)
Net cash (used in) provided by financing activities	<u>(15)</u>	<u>6,539</u>		
Net cash used in financing activities			(22)	(15)
Effect of exchange rate changes on cash and cash equivalents	(13)	(20)	(3)	—

Cash and cash equivalents:				
Net change in cash and cash equivalents	784	(1,727)	(1,060)	(1,123)
Cash and cash equivalents, beginning of period	6,451	7,607	5,684	6,451
Cash and cash equivalents, end of period	\$ 7,235	\$ 5,880	\$ 4,624	\$ 5,328
Supplemental disclosure of cash flow information:				
Officer and employee equity awards for prior year accrued compensation	\$ 234	\$ 107	\$ 326	\$ 234
Prior year prepaid expenses repurposed to fixed assets as demonstration equipment	\$ 209	\$ —	\$ —	\$ 209
Non-cash impact of new lease	\$ 34	\$ —		

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

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ClearSign Technologies Corporation
Notes to Unaudited Condensed Consolidated Financial Statements

Note 1 – Organization and Description of Business

ClearSign Technologies Corporation (“ClearSign” or the “Company”) designs and develops products and technologies that have been shown to significantly improve key performance characteristics of industrial and commercial systems, including operational performance, energy efficiency, emission reduction, safety, and overall cost-effectiveness. The Company’s patented technologies are designed to be embedded in established OEM original equipment manufacturers (“OEM”) products as ClearSign Core™ and ClearSign Eye™ and other sensing configurations in order to enhance the performance of combustion systems and fuel safety systems in a broad range of markets. These markets include energy (upstream oil production and down-stream refining), commercial/industrial boiler, chemical, petrochemical, transport and power industries. The Company’s primary technology is its ClearSign Core technology, which achieves very low emissions without the need of selective catalytic reduction.

The Company was originally incorporated in the State of Washington in 2008. During January 2022, the Company relocated its headquarters from Seattle, Washington to Tulsa, Oklahoma. Effective June 15, 2023, the Company changed its state of incorporation to Delaware. On July 28, 2017, the Company incorporated a subsidiary, ClearSign Asia Limited, in Hong Kong to represent the Company’s business and technological interests throughout Asia. Through ClearSign Asia Limited, the Company has established a Wholly Foreign Owned Enterprise (WFOE) in China – ClearSign Combustion (Beijing) Environmental Technologies Co., LTD.

Unless otherwise stated or the context otherwise requires, the terms **ClearSign** “we,” “us,” “our,” **“ClearSign”** and the **Company** “Company” refer to ClearSign Technologies Corporation and its subsidiary, ClearSign Asia Limited.

The Company’s condensed consolidated financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. As of September 30, 2023, the Company’s cash and cash equivalents totaled \$7,235 thousand, which the Company believes is sufficient to fund current operating expenses beyond twelve months from the date hereof. The Company’s technologies are currently in field development, but with nominal fully operational commercial installations, and have generated nominal revenues from operations to date to meet operating expenses. In order to generate meaningful revenues, the technologies must be fully developed, gain market recognition and acceptance, and develop a critical level of successful sales and product installations.

Historically, the Company has financed operations primarily through issuances of equity securities. Since inception, the Company has raised approximately \$91.0 million in gross proceeds through the sale of its equity securities. During the nine months ended September 30, 2023, the Company did not raise proceeds through the issuance of common stock.

The Company has incurred losses since its inception totaling \$92.8 million and expects to experience operating losses and negative cash flows for the foreseeable future. Management believes that the successful growth and operation of the Company's business is dependent upon its ability to obtain adequate sources of funding through co-development agreements, strategic partnering agreements, or equity or debt financing to adequately support product commercialization efforts, protect intellectual property, form relationships with strategic partners, and provide for working capital and general corporate purposes. There can be no assurance that the Company will be successful in achieving its long-term plans as set forth above, or that such plans, if consummated, will result in profitable operations or enable the Company to continue in the long-term as a going concern.

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Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC") for Form 10-Q. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. The condensed consolidated balance sheet at **December 31, 2022** **December 31, 2023** has been derived from the Company's audited financial statements as of that date.

In the opinion of management, these condensed consolidated financial statements reflect all normal recurring and other adjustments necessary for a fair presentation. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023**. Operating results for interim periods are not necessarily indicative of operating results for an entire fiscal year or any other future periods.

The accompanying unaudited condensed consolidated financial statements include the accounts of ClearSign and its subsidiary. Intercompany balances and transactions have been eliminated in consolidation.

Liquidity

The Annual Report on Form 10-K filed with the SEC on April 1, 2024, contained a "going concern" note within the annual audit report, which raised substantial doubt about our ability to continue operations. We believe that we have alleviated the substantial doubt raised by our independent auditor by selling equity securities on April 23, 2024, and subsequently on May 15, 2024, which resulted in aggregate gross proceeds of \$9.9 million and net proceeds of \$8.7 million, after broker discounts and related fees. Refer to "Note 10 – Subsequent Events" for further details about the offerings effectuated on April 23, 2024.

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Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition and Cost of Sales

The Company recognizes revenue and related cost of goods sold in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 606 *Revenue from Contracts with Customers* ("ASC 606"). When applying ASC 606, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the promises and performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the performance obligations are satisfied. Revenues and cost of goods sold are recognized once the goods or services are delivered to the customer's control or non-refundable performance obligations are satisfied. The Company's contracts with customers generally have performance obligations and a schedule of non-refundable cancellation obligations. The contracts generally will be fully performed upon delivery of certain drawings or equipment. Revenue related to the contracts is recognized following the completion of non-refundable performance obligations as defined in the contract.

The Company's contracts generally include progress payments from the customer upon completion of defined milestones. As these payments are received, they are offset against accumulated project costs and recorded as either contract assets or contract liabilities. Upon completion of the performance obligations and collectability is determined, revenue is recorded. For any contract that is expected to incur costs in excess of the contract price, the Company accrues the estimated loss in full in the period such determination is made.

Contract Costs

The Company capitalizes project costs until performance obligations related to the contract are completed. The Company expenses selling and marketing expenses when incurred within the statements of operations in general and administrative expenses.

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Product Warranties

The Company warrants all installed products against defects in materials and workmanship for a period specified in each contract by replacing failed parts. Accruals for product warranties are based on historical or expected warranty experience and current product performance trends and are recorded as a component of cost of sales at the time revenue is recognized. The warranty liabilities are reduced by material and labor costs used to replace parts over the warranty period in the periods in which the costs are incurred. The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary, and such adjustments could be material in the future if estimates differ significantly from actual warranty expense. Product warranties are included in accounts payable and accrued liabilities in the consolidated balance sheets.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit in a checking and savings account, and short-term money market instruments with an original maturity of three months or less. Cash equivalents, which consist of short-term U.S. treasury bills, are based on quoted market prices, a Level 1 fair value measure.

Short-Term Investments

Short-term investments consist of U.S. treasuries with original maturities of twelve months or less and greater than three months. These The cost basis for our short-term investments are classified totaled approximately zero as held to maturity of March 31, 2024 and are recorded on an amortized cost basis based on the Company's positive intent December 31, 2023, respectively. The unrealized holding gains for our short-term investments totaled approximately zero as of March 31, 2024 and ability to hold these securities to maturity. December 31, 2023, respectively. As of September 30, 2023 March 31, 2024, the Company has not experienced any other-than-temporary impairment of its short-term investments. A decline in the market value of any held-to-maturity security below cost that is deemed other than temporary results in a reduction in carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. The company evaluates whether the decline in fair value of its investments is other-than-temporary at each quarter-end.

The cost basis for the Company's our short-term investments totaled approximately zero and \$2,606 thousand as of September 30, 2023 March 31, 2024 and December 31, 2022, respectively. The unrealized holding gains for the Company's short-term investments totaled approximately zero and \$4 thousand as of September 30, 2023 and December 31, 2022, respectively. The Company has not experienced any continuous unrealized holding losses on these investments. The fair value for the Company's short-term investments totaled approximately zero and \$2,610 thousand as of September 30, 2023 and December 31, 2022 December 31, 2023, respectively.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the contractual invoiced amount. An allowance for doubtful accounts is established, as necessary, based on past experience and management's judgment. The determination of the collectability of amounts due from customers require the Company to make judgments regarding future events and trends. Allowances for doubtful accounts are determined based on assessing the Company's portfolio on an individual customer and on an overall basis. This process consists of a review of historical collection experience, current aging status of the customer accounts, and the financial condition of the Company's customers. Based on a review of these factors, the Company may establish or adjust the allowance for specific customers and the accounts receivable portfolio as a whole.

Fixed Assets and Leases

Fixed assets are recorded at cost. Leases are recorded in accordance with FASB ASC 842, *Leases*. For those leases with a term greater than one year, the Company recognizes a right-of-use asset, which is included in fixed assets, net on the consolidated balance sheets, and a lease liability measured at the present value of the lease payments at the time of the lease inception or modification. Lease costs are recognized in the consolidated statement of operations over the lease term on a straight-line basis. Leases with a term of 1 year or less are considered short term leases with rent expense recognized over the lease term. Depreciation is computed using the straight-line method over the estimated useful lives of the respective lease assets. Leasehold improvements are depreciated over the life of the lease or their useful life.

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whichever is shorter. All other fixed assets are depreciated over three to four years. Maintenance and repairs are expensed as incurred.

Patents and Trademarks

Third-party expenses related to patents and trademarks are recorded at cost, less accumulated amortization. Amortization is computed using the straight-line method over the estimated useful lives of the assets once they are awarded. Patent application costs are deferred pending the outcome of patent and trademark applications. Costs associated with unsuccessful patent applications and abandoned intellectual property are expensed when determined to have no continuing value in current business activity. The Company evaluates the recoverability of the carrying values of intangible assets each reporting period.

Impairment of Long-Lived Assets

The Company tests long-lived assets, consisting of fixed assets, patents, trademarks, and other intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable through the estimated undiscounted cash flows expected from the use and eventual disposition of the assets. In the event an asset is not fully recoverable, a loss is recognized based on the amount by which the carrying amount exceeds the fair value of the long-lived assets. Fair value is determined based on the present value of estimated expected cash flows using a discount rate commensurate with the risks involved, quoted market prices, or appraised values depending upon the nature of the assets. Losses on long-lived assets to be disposed are determined in a similar manner, except those fair values are reduced for the cost of disposal.

Fair Value of Financial Instruments

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. Assets and liabilities measured at fair value are categorized based on whether or not the inputs are observable in the market and the degree that the inputs are observable. The categorization of financial assets and liabilities within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of inputs used to establish fair value are the following:

- Level 1 – Quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company's financial instruments primarily consist of cash equivalents, short-term investments, accounts receivable, contract assets, contract liabilities, accounts payable, and accrued expenses. As of the balance sheet dates, the estimated fair values of the financial instruments were not materially different from their carrying values as presented on the balance sheets. This is primarily attributable to the short-term nature of these instruments.

The Company did not identify any other recurring or non-recurring assets and liabilities that are required to be presented in the balance sheets at fair value.

Research and Development

The cost of research and development is expensed as incurred. Research and development costs consist of salaries, benefits, share based compensation, consumables, and consulting fees, including costs to develop and test prototype equipment and parts. Research and Development costs have been offset by funds received, if any, from strategic partners

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in cost sharing, collaborative projects. During the nine three months ended September 30, 2023 March 31, 2024, the Company received \$60 \$107 thousand from these arrangements. During the nine three months ended September 30, 2022 March 31, 2023, the Company did not receive funds from these arrangements.

Government Assistance

The Company has adopted Accounting Standards Update ("ASU") 2021-10, Government Assistance (Topic 832) *Disclosures by Business Entities about Government Assistance*, which requires footnote disclosure of assistance received from government entities. The Company records gross monies received from government entities in other income, and associated expenses such as salaries and supplies are

recorded in Research and Development or General and Administration, depending on the nature of expenditure. The Company accrues for reimbursement requests submitted to government entities in accounts receivable.

Income Taxes

The Company accounts for income taxes using an asset and liability approach which allows for the recognition and measurement of deferred tax assets based upon the likelihood of realization of tax benefits in future years. Under the asset and liability approach, deferred taxes are provided for the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. A valuation allowance is provided for deferred tax assets if it is more likely than not the Company would not be able to realize their benefits, or that future deductibility is uncertain. Tax benefits are recognized only if it is more likely than not that the tax benefits will be utilized in the foreseeable future.

Share-Based Compensation

The costs of all employee stock options, as well as other equity-based compensation arrangements, are reflected in the unaudited condensed consolidated financial statements based on the estimated fair value of the awards on the grant date. That cost is recognized over the period during which an employee is required to provide service in exchange for the award, or in the case of performance options, expense is recognized upon completion of milestones as defined in the grant agreement. Share-based compensation for stock grants to non-employees is determined as the fair value of the consideration received or the fair value of equity instruments issued, whichever is more reliably measured.

Foreign Operations

The accompanying unaudited condensed consolidated balance sheets as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** include assets amounting to approximately **\$261** **\$279** thousand and **\$172** **\$334** thousand, respectively, relating to operations of ClearSign Asia Limited. The Beijing registered capital requirement is \$350 thousand, which is required to be paid by 2027, and of which **\$111** **\$161** thousand has been paid as of **September 30, 2023** **March 31, 2024**. It is always possible that unanticipated events in foreign countries could disrupt the Company's operations, and since the first quarter of 2020, this has been and currently continues to be the case with the effects of the COVID-19 pandemic.

Foreign Currency

Assets and liabilities of ClearSign Asia Limited with non-U.S. Dollar functional currency are translated to U.S. Dollars using exchange rates in effect at the end of the period. Revenue and expenses are translated to U.S. Dollars using rates that approximate those in effect during the period. The resulting translation adjustments are included in the Company's condensed consolidated balance sheets in the stockholders' equity section as a component of accumulated other comprehensive income (loss).

Net Loss per Common Share

Basic loss per share is computed by dividing loss available to common stockholders by the weighted-average number of common shares outstanding. Diluted loss per share is computed similar to basic loss per share except that the denominator is increased to include additional common shares available upon exercise of stock options and warrants

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using the treasury stock method, except for periods for which no common share equivalents are included because their effect would be anti-dilutive. At **September 30, 2023** **March 31, 2024** and **September 30, 2022** **March 31, 2023**, potentially dilutive shares outstanding amounted to **4.0 million** **4.1 million** and **3.1 million** **3.7 million**, respectively.

On April 23, 2024, respectively, we issued common stock, redeemable warrants to purchase common stock and pre-funded warrants to purchase common stock in connection with a public offering and concurrent private placement. As a result of these offerings, investors experienced immediate dilution and an increase to potentially dilutive shares outstanding. Refer to "Note 10 – Subsequent Events" below for more details.

Recently Issued Accounting Pronouncements Adopted

In June 2017, November 2023, the FASB Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") No. 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures" ("ASU 2016-13, Financial Instruments (Topic 326) Measurement 2023-07"). ASU 2023-07 requires expanded disclosures about reportable segments including additional information on segment expenses, expanded interim period disclosures, and an explanation of Credit Losses on Financial Instruments, which requires how the measurement and recognition chief operating decision maker utilizes

[Table of expected credit losses for financial assets held at amortized cost. The standard replaces the existing incurred loss impairment model with an expected loss methodology, which will result](#) [Contents](#)

segment information in more timely recognition of credit losses, evaluating segment performance. ASU 2016-13, and related amendments, are 2023-07 is effective for fiscal years beginning after December 15, 2022 December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. ASU 2023-07 only currently impacts the disclosures in our annual consolidated financial statements, which will be included in our 2024 Annual Report on Form 10-K. We are currently assessing the impact that the adoption of ASU 2023-07 will have on the disclosures in our consolidated financial statements.

In December 2023, the FASB issued Accounting Standards Update No. 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures" ("ASU 2023-09"). The Company adopted this standard FASB issued ASU 2023-09 to enhance the transparency and decision-making usefulness of income tax disclosures by requiring additional information on January 1, 2023 an entity's tax rate reconciliation, as well as income taxes paid. ASU 2023-09 is effective for our reporting period beginning January 1, 2025. This standard did not We are currently assessing the impact that the adoption of ASU 2023-09 will have a material impact on the Company's condensed disclosures in our consolidated financial statements.

Note 3 – Fixed Assets

Fixed Assets

Fixed assets are summarized as follows:

(in thousands)	September 30,		December 31,		March 31,		December 31,	
	2023	2022	2024	2023	2024	2023	2024	2023
Machinery and equipment	\$ 209	\$ 390						
Office furniture and equipment	60	177	\$ 60	\$ 60				
Leasehold improvements	43	192	43	43				
	312	759	103	103				
Accumulated depreciation and amortization	(162)	(697)	(70)	(63)				
	150	62	33	40				
Operating lease ROU assets, net	256	322	214	235				
Total	<u>\$ 406</u>	<u>\$ 384</u>	<u>\$ 247</u>	<u>\$ 275</u>				

Depreciation and amortization expense for the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **2022** **2023** totaled **\$122** **\$7** thousand and **\$19** **\$40** thousand, respectively.

Leases

The Company leases office space in **Tulsa, Oklahoma**, **Seattle, Washington**, **Tulsa, Oklahoma** and **Beijing, China**. During June 2023, the Company renewed its **Beijing, China** lease agreement for 13 months with monthly rent at approximately \$3 thousand. **The** **As** **a** **result** **of** **this** **renewal**, **the** Company increased the right of use asset and lease liability by \$34 thousand.

During March 2023, the Company amended its Seattle lease to extend the lease term to September 2023. The amended lease reduced the square footage and lowered the monthly payment to approximately \$4 thousand. The Company increased the right of use asset by \$5 thousand and decreased the exited our long-term Seattle operating lease liability by \$9 thousand. **on September 30, 2023.** During October 2023, the Company entered into **an** **a** **sub-lease** **agreement** **to lease a portion of rent** **office space in Seattle** **for approximately \$2** **\$2** thousand per month for twelve months. The Tulsa and Beijing leases are classified as operating leases, with remaining terms ranging from less than twelve months to **approximately** four years; contractual language requires renewal negotiations to occur at or near termination. These leases are normal and customary for office space, in that, contractual guarantees exist requiring the lessee **to** **return** the premises to its original functional state. The Company **incurred** **did not incur** restoration expenses of \$31 thousand for the three months ended **March 31, 2024**, and \$87 incurred \$2 thousand for the **nine** **three** months ended **September 30, 2023** and twelve months ended December 31, 2022, respectively. **March 31, 2023.**

The Tulsa lease contains fixed annual lease payments that increase annually by 2%. The Seattle, Tulsa, and Beijing total monthly minimum rent is approximately \$10 thousand. Operating lease costs for the three and nine months ended **March 31, 2024** and **2023** were \$24 thousand and \$48 thousand, respectively.

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September 30, 2023 were \$35 thousand and \$117 thousand, respectively. Operating lease costs for the three and nine months ended September 30, 2022 were \$49 thousand and \$138 thousand, respectively.

Supplemental balance sheet information related to operating leases is as follows:

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
(in thousands)				
Operating lease ROU assets, net	\$ 256	\$ 322	\$ 214	\$ 235
Lease Liabilities:				
Current lease liabilities	\$ 78	\$ 133	\$ 66	\$ 71
Long term lease liabilities	\$ 186	\$ 226	\$ 157	\$ 172
Total lease liabilities	\$ 264	\$ 359	\$ 223	\$ 243
Weighted average remaining lease term (in years):		2.3		2.2
Weighted average discount rate:		5.3 %		5.1 %

	For the Nine Months Ended	
	September 30,	
	2023	2022
(in thousands)		
Cash paid for amounts included in the measurement of lease liabilities:		

Operating cash flows used in operating leases	\$ 134	\$ 185
Non-cash impact of new leases and lease modifications		
Change in operating lease liabilities	\$ 25	\$ 25
Change in operating lease ROU assets	\$ 39	\$ —

Supplemental cash flow information related to leases is as follows:

(in thousands)	For the Three Months Ended	
	March 31,	2024
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows used in operating leases	\$ 24	\$ 66
Non-cash impact of new leases and lease modifications	—	—
Change in operating lease liabilities	\$ (9)	—
Change in operating lease ROU assets	\$ 5	—

Minimum future payments under the Company's lease liabilities as of September 30, 2023 March 31, 2024 are as follows:

(in thousands)	Discounted lease liability payments	Payments due under lease agreements	Discounted lease liability payments	Payments due under lease agreements
	2024	2023	2024	2023
2023 (remaining 3 months)	\$ 21	\$ 24	\$ 50	\$ 57
2024	71	81	60	66
2024 (remaining 9 months)			63	68
2025	59	66	50	51
2026	63	67	223	242
2027	50	51	\$ 264	\$ 289
Total	<u>264</u>	<u>289</u>	<u>223</u>	<u>242</u>

At September 30, 2023 March 31, 2024, \$25 \$19 thousand of the Company's our future minimum lease payments represents interest.

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Note 4 – Patents and Other Intangible Assets

Patents and other intangible assets are summarized as follows:

(in thousands)	September 30,		December 31,	
	2023	2022	2024	2023
Patents				
Patents pending	\$ 400	\$ 307	\$ 445	\$ 477
Issued patents	782	815	847	810
	<u>1,182</u>	<u>1,122</u>	<u>1,292</u>	<u>1,287</u>

Trademarks			
Trademarks pending	4	6	4
Registered trademarks	86	95	86
	90	101	90
Other	8	8	8
	1,280	1,231	1,390
Accumulated amortization	(511)	(433)	(559)
	\$ 769	\$ 798	\$ 831
			\$ 836

Amortization expense for the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **2022** **2023** totaled **\$109** **\$38** thousand and **\$94** **\$40** thousand, respectively. Future amortization expense associated with issued patents and registered trademarks as of **September 30, 2023** **March 31, 2024** is as follows:

(in thousands)			
2023 (remaining 3 months)		\$ 33	
2024		125	
2024 (remaining 9 months)			\$ 102
2025		95	111
2026		60	79
2027		38	57
2028			20
Thereafter		6	5
		\$ 357	\$ 374

The amortization life for patents ranges between three to five years, with trademark lives set at ten years. The Company does not amortize patents or trademarks classified as pending.

During the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **2022** **2023**, the Company assessed its patent and trademark assets, and determined **\$14** thousand and zero impairment costs were incurred, respectively. The Company also evaluated its strategic approach to the pursuit and protection of its intellectual property. It is the intent of the Company to continue to pursue intellectual property protection.

If the Company identifies certain assets where the intellectual property does not directly align with its core technology, the Company will impair the intangible asset and write-off the asset as an expense.

Note 5 – Revenue, Contract Assets and Contract Liabilities

The Company recognized **\$85** **\$1,102** thousand of revenues and **\$61** **\$665** thousand of cost of goods sold during the three months ended **September 30, 2023** **March 31, 2024**. The revenue and cost of goods sold relate predominately to a sale of our boiler the Company's process burner product line. The Company delivered multiple burners in connection with a single customer order; successfully completed an engineering study and a Computational Fluid Dynamic analysis; and fulfilled multiple spare parts orders. These products and services constitute performance obligations per Accounting Standards Codification ("ASC") 606.

The Company recognized **\$1,129** **\$894** thousand of revenues and **\$870** **\$788** thousand of cost of goods sold during the **nine** **three** months ended **September 30, 2023** **March 31, 2023**. The revenue and cost of goods sold relate predominately to the Company's process burner

product line, where the Company successfully completed a burner performance customer witness test, which represented a contractual performance obligation per ASC 606.

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The Company recognized \$324 thousand of revenues and \$201 thousand of cost of goods sold during the three and nine months ended September 30, 2022. The revenue and cost of goods sold are mostly in connection with the completion of a technology validation project.

The Company had contract assets of \$7 thousand zero and \$20 \$188 thousand at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. The Company had contract liabilities of \$1,801 \$1,038 thousand and \$247 \$1,116 thousand at September 30, 2023 March 31, 2024 and December 31, 2022, 2023, respectively. Of the \$247 \$1,116 thousand contract liability balance at December 31, 2022 December 31, 2023, the Company recognized revenue of \$120 \$253 thousand during the nine three months ended September 30, 2023 March 31, 2024.

Note 6 – Product Warranties

A summary of the Company's warranty liability activity, which is included in accrued liabilities in the accompanying balance sheets as of March 31, 2024 and December 31, 2023, is as follows:

	March 31,		December 31,	
	2024	2023	2024	2023
(in thousands)				
Warranty liability at beginning of year	\$ 110	\$ 5		
Accruals	83	105		
Payments	(13)	—		
Warranty liability at end of period	\$ 180	\$ 110		

Note 67 – Equity

Common Stock and Preferred Stock

The Company is authorized to issue 62.5 million shares of common stock and 2.0 million shares of preferred stock. Preferences, limitations, voting powers and relative rights of any preferred stock to be issued may be determined by the Company's Board of Directors. Directors (the "Board"). The Company has not issued any shares of preferred stock.

In July 2018, the Company completed in connection with a private equity offering and executed placement of the Company's common stock pursuant to a Stock Purchase Agreement, with the Company granted clirSPV LLC ("clirSPV") which permits participation in future a right to purchase certain new equity securities that the Company sells for purpose of raising capital raising transactions on terms and conditions no different from those offered to other purchasers (the "Participation Right") on, so that clirSPV could maintain a 19.99% percentage ownership of the same terms as other investors participating in such transactions. Company's outstanding common stock. In

no event may the Participation Right be exercised to the extent it would cause clirSPV or any of its affiliates to beneficially own 20% or more of the Company's then outstanding common stock.

In May 2022, in connection with a waiver of the Participation Right's notice requirements and other related closing mechanics for such Participation Right (the "Waiver") the Company signed an agreement with and clirSPV, agreed that provides for an election right to extend the Participation Right beyond may be extended from December 31, 2023, to such date that the original expiration holders of two-thirds of the outstanding units of clirSPV agree to extend each such holder's existing agreement that he/she/it will have no right to force a redemption of his/her/its interests in clirSPV (the "Redemption Right"); provided, however, that the Participation Right could not be extended to a date of December 31, 2023, but to no later than June 30, 2027. This election is pursuant On December 30, 2023, the Company received notice from clirSPV that the holders of at least two-thirds of the outstanding units of clirSPV agreed to specific terms and conditions and expires extend the waiver of the Redemption Right until December 31, 2024. Accordingly, the Participation Right will now expire on December 31, 2023 December 31, 2024.

The Company has an At-The-Market ("ATM") Offering program pursuant to a Sales Agreement with Virtu Americas LLC, as sales agent, dated December 23, 2020 (the "Sales Agreement"), pursuant to which if the Company may currently sell shares of common stock with an aggregate offering price of up to \$8.7 million. On March 18, 2024, the Company filed a prospectus supplement suspending the ATM program. The Company will not make any sales of its common stock pursuant to the Sales Agreement unless and until a new prospectus supplement is filed with the SEC; however, the Sales Agreement remains in full force and effect. During the nine three months ended September 30, 2023 March 31, 2024, the Company issued zero shares of its common stock from the ATM program. As of September 30, 2023 March 31, 2024, the Company has cumulatively issued

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approximately 1.6 million shares of common stock under the ATM program, at an average price of \$3.84 per share. Gross proceeds totaled approximately \$6.1 million and net cash proceeds was approximately \$5.9 million.

The Company is currently subject to the SEC's "baby shelf rules," which prohibits prohibit companies with a public float of less than \$75 million from issuing securities under a shelf registration statement in excess of one-third of such company's public float in a 12-month period. These rules may limit future issuances of shares by the Company under its Shelf Registration our "shelf" registration statement on Form S-3, the ATM Offering Sales Agreement program or other securities offerings.

On April 23, 2024, we issued common stock, redeemable warrants to purchase common stock and pre-funded warrants to purchase common stock in connection with a public offering and concurrent private placement. As a result of these offerings, investors experienced immediate dilution and an increase to potentially dilutive shares outstanding. Refer to "Note 10 – Subsequent Events" below for more details.

Equity Incentive Plan

On June 17, 2021, the Company's shareholders approved and the Company adopted the ClearSign Technologies Corporation 2021 Equity Incentive Plan (the "2021 Plan") which permits the Company to grant Incentive Stock Options, Non-statutory Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Units, incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock, restricted stock units, performance units, and Performance Shares, performance shares, to eligible participants, which includes employees, directors and consultants. The Board's Human Capital & Compensation Committee of the Board of Directors (the "Compensation Committee") is authorized to administer the 2021 Plan.

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The 2021 Plan provides for an annual increase in available shares equal to the lesser of (i) 10% of the aggregate number of shares of Common Stock issued by the Company in the prior fiscal year; or (ii) such number provided by the Compensation Committee; provided, however, that the total cumulative increase in the number of shares available for issuance pursuant to this automatic share increase shall not exceed 400 thousand shares of common stock. In 2023, 2024, the board of directors approved an increase of 400,000 shares available for issuance pursuant to the Board did not exercise their right to future awards in accordance with limit the terms of automatic increase. Accordingly, the 2021 Plan.

66 thousand shares.

Ending balances for the 2021 Plan is as follows:

(in thousands)	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Outstanding options and restricted stock units	3,467	3,202	3,617	3,430
Reserved but unissued shares under the Plan	2,381	2,777	1,829	2,302
Total authorized shares under the Plan	5,848	5,979	5,446	5,732

Stock Options

Under the terms of the 2021 Plan, incentive stock options and nonstatutory stock options must have an exercise price at or above the fair market value on the date of the grant. At the time of grant, the Company will determine the period within which the option may be exercised and will specify any conditions that must be satisfied before the option vests and may be exercised. The Company estimates the fair value of stock options on the date of grant using the Black-Scholes option-pricing model.

As permitted by SEC Staff Accounting Bulletin (SAB) ("SAB") 107, management utilized the simplified approach to estimate the expected term of the options, which represents the period of time that options granted are expected to be outstanding. Expected volatility has been determined through the Company's historical stock price volatility. The Company has not made an estimate of forfeitures at the time of the grant, but rather accounts for forfeitures at the time they occur. The risk-free rate for periods within the expected life of the option is based on the U.S. Treasury yield in effect at the time of grant. The Company has never declared or paid dividends and has no plans to do so in the foreseeable future.

Inducement Options

During the nine months ended September 30, 2023, the Company granted non-qualified stock options to its Director of Customer Relationships and Business Development to purchase an aggregate of 150 thousand shares of common stock with an exercise price of \$1.31 as a material inducement to accept employment with the Company. These inducement options vest in three equal installments, with one third of the option vesting on the grant date, and each remaining third of the options to vest on the second and third anniversaries of the grant date, subject to continued employment with the Company. The fair value of these options estimated on the date of grant using the Black Scholes valuation model was \$160 thousand. The compensation expense recognized for these awards for the three and nine months ended September 30, 2023 was \$62 thousand.

These inducement options were granted outside of the 2021 Plan and in accordance with the employment inducement exemption provided under Nasdaq Listing Rule 5635(c)(4).

Equity Incentive Plan Options

Compensation expense associated with stock option awards for the three and nine months ended September 30, 2023 March 31, 2024 and 2023 totaled \$42 \$22 thousand and \$132 thousand, respectively. Compensation expense associated with stock option awards for the three and nine months ended September 30, 2022 totaled \$27 thousand and \$84 \$44 thousand, respectively.

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A summary of the Company's 2011 Equity Incentive Plan and the 2021 Plan stock option activity and changes is as follows:

(in thousands, except per share data)	September 30,			March 31,		
	2023			2024		
	Weighted Average			Weighted Average		
	Options to Purchase	Weighted Average Remaining Contractual Life (in years)	Weighted Average Options to Purchase Remaining Contractual Life (in years)	Common Stock	Exercise Price	Common Stock Price
Outstanding at beginning of year	2,779	\$ 2.05	6.43			
Outstanding at beginning of period						2,759 \$ 2.07 5.38
Granted	—	\$ —	—	—	\$ —	—
Exercised	(20)	\$ 0.54	—	—	\$ —	—
Forfeited/Expired	—	\$ —	—	—	\$ —	—
Outstanding at end of period	2,759	\$ 2.07	5.58	2,759	\$ 2.07	5.13
Exercisable at end of period	1,991	\$ 1.71	5.00	2,049	\$ 1.70	4.66

The estimated aggregate pretax intrinsic value of the Company's outstanding vested stock options at September 30, 2023 March 31, 2024 is \$154 \$61 thousand. The intrinsic value is the difference between the Company's common stock price and the option exercise prices multiplied by the number of in-the-money options. This amount changes based on the fair value of the Company's common stock.

At September 30, 2023 March 31, 2024, there was \$1.0 million of total unrecognized compensation cost related to non-vested stock option-based compensation arrangements. Vesting criteria ranges from time-based to performance-based. The Company records costs for time-based arrangements ratably across the timeframe, whereas performance-based arrangements require management to continually evaluate predetermined goals against actual circumstances.

Inducement Options

During the year ended December 31, 2023, the Company granted non-qualified stock options to its Chief Technology Officer to purchase an aggregate of 150 thousand shares of common stock with an exercise price of \$0.91 as a material inducement to accept employment with the Company. These inducement options vest in three equal installments, with one third of the option vesting on the grant date, and each remaining third vesting on the second and third anniversaries of the grant date, subject to continued employment with the Company. The fair value of these options were estimated on the grant date using the Black Scholes valuation model, which resulted in \$112 thousand. The compensation expense recognized for these awards for the three months ended March 31, 2024 and 2023 was \$9 thousand and zero, respectively.

These inducement options were granted outside of the 2021 Plan and in accordance with the employment inducement exemption provided under Nasdaq Listing Rule 5635(c)(4).

Restricted Stock Units

The Company awards employees and directors restricted stock units ("RSUs") in lieu of cash payment for compensation. These awards are granted pursuant to the 2021 Plan. Employee vesting criteria is time based, and compensation expense is recognized ratably across the timeframe. The Company pays payroll withholding taxes on behalf of the employee at vesting, and withholds shares from the employee's award to cover the taxes payable. The Company's accrued reserve for RSU share-based compensation is \$16 thousand and \$3 thousand for the three months ended March 31, 2024 and 2023, respectively.

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Director vesting criteria is contingent upon the occurrence of one of four future events, which the Company cannot predict or control. Therefore, compensation expense for director RSUs is not recognized until one of these four future events occur, which is in accordance with FASB Accounting Standards Codification ASC, Topic 718, Compensation-Stock Compensation, (ASC 718). Unrecognized compensation expense for director services as of September 30, 2023 March 31, 2024 and 2022 was \$233 \$65 thousand and \$256 \$68 thousand, respectively. Director compensation is earned on a quarterly basis with the target value of compensation set at approximately \$83 \$84 thousand per quarter. quarter, assuming four directors; one chairman; one lead independent director; one chair for each committee; and two committee members for each of the three committees.

A summary of the Company's RSUs activity and changes is as follows:

	September 30,		March 31,	
	2023	2024	Weighted Average	Number of Shares
		Grant	Weighted Average	Date Fair Value
(in thousands, except per share data)			Number of Shares	Date Fair Value
Nonvested at beginning of year			423	\$ 1.49
Nonvested at beginning of period				671 \$ 1.05
Granted	538	\$ 0.78	253	\$ 1.07
Vested	(245)	\$ 1.34	(67)	\$ 0.79
Forfeited	(8)	\$ 0.79	—	\$ —
Nonvested at end of period	708	\$ 1.01	857	\$ 1.07

A summary of the Company's RSU compensation expense is as follows:

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^(in thousands, except per share data)	For the Nine Months Ended September 30,				For the Three Months Ended March 31,				
	2023		2022		2024	2023			
	\$	225	\$	219	\$	36	\$	199	
Compensation Expense									
Weighted Average Value Per Share		\$	0.80	\$	1.34	\$	0.93	\$	1.25

Stock Awards

The Company awards employees stock in lieu of cash payment for compensation, typically to satisfy accrued bonus compensation. The awards are granted from the Company's 2021 Plan.

^(in thousands, except per share data)	For the Nine Months Ended September 30,				For the Three Months Ended March 31,				
	2023		2022		2024	2023			
	\$	234	\$	98	\$	326	\$	234	
Fair value									
Weighted Average Value Per Share		\$	0.79	\$	1.43	\$	1.06	\$	0.79

Consultant Stock Plan

The 2013 Consultant Stock Plan (the "Consultant Plan") provides for the granting of shares of common stock to consultants who provide services related to capital raising, investor relations, and making a market in or promoting the Company's securities. The Company's officers, employees, and ~~board~~ Board members are not entitled to receive grants from the Consultant Plan. The Compensation Committee ~~of the Board of Directors~~ is authorized to administer the Consultant Plan and establish the grant terms. The Consultant Plan provides for ~~periodic~~ quarterly increases in the ~~available~~ number of authorized shares ~~available for issuance under the Consultant Plan on the first day of each of the Company's fiscal quarters. The quarterly increases are equal to the lesser of~~ 1% of any new shares ~~subsequently~~ issued by the Company ~~during the quarter immediately prior to the adjustment date~~ or such lesser amount as the ~~Board of Directors~~ shall determine.

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The Consultant Plan activity and change is as follows:

^(in thousands)	September 30, March 31,	
	2023	2024
Reserved but unissued shares at beginning of year <ins>period</ins>	196	188
Increases in the number of authorized shares	54	
Grants	(12)	(4)
Reserved but unissued shares at end of year <ins>period</ins>	189	188

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The Consultant Plan compensation expense is summarized as follows:

^(in thousands, except per share data) Compensation Expense	For the Nine Months Ended September 30,		For the Three Months Ended March 31,	
	2023	2022	2024	2023
	\$ 7	\$ 21	\$ 3	\$ 3
Weighted Average Value Per Share	\$ 0.66	\$ 1.93	\$ 0.81	\$ 0.66

Note 78 – Commitments and Contingencies

Litigation

From time to time the Company may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. Litigation is subject to inherent uncertainties and an adverse result in any such matter may harm the Company's business. As of the date of this report, the Company is not a party to any material pending legal proceedings or claims that the Company believes will have a material adverse effect on the business, financial condition or operating results.

Indemnification Agreements

The Company maintains indemnification agreements with its ~~our~~ directors and officers that may require the Company to indemnify these individuals against liabilities that arise by reason of their status or service as directors or officers, except as prohibited by law.

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Note 89 – Government Assistance

During 2022, the Company was awarded a research grant from the Department of Energy ("DOE") for approximately \$250 thousand with the completion of such grant occurring in March 2023. The purpose of the grant was to produce a research paper for a flexible fuel ultra-low NOx process burner capable of burning 100% hydrogen fuel. During the three months ended September 2023, the Company was awarded a Phase 2 grant from the DOE to develop the flexible fueled continue developing this ultra-low NOx process burner capable of burning 100% hydrogen. This hydrogen burner. The Phase 2 grant is for amount totaled approximately \$1.6 million over a two-year period. These awards allow the Company to request reimbursements for expenditures such as labor, material, and administrative costs. During the three and nine months ended September 30, 2023, March 31, 2024 and 2023, the Company recognized \$2648 thousand and \$9569

thousand in reimbursements from the DOE, respectively. During the three and nine months ended September 30, 2022, the Company recognized \$76 thousand in reimbursements from the DOE.

Beginning in 2021, the Company received funds relating to the Oklahoma 21st Century Quality Jobs Act. The estimated duration of the program is up to 10 years and is designed to attract growth industries to Oklahoma. By reporting quarterly salary statistics and meeting agreed upon employment thresholds, the state remits benefit monies to the Company. During the three and nine months ended September 30, 2023, March 31, 2024 and 2023, the Company recognized \$12 thousand and \$51 thousand in government assistance from this program, respectively. During the three and nine months ended September 30, 2022, the Company recognized \$12 thousand and \$24 thousand in government assistance from this program, respectively.

Note 9.10 – Subsequent Events

Public Offering

On November 6, 2023 April 23, 2024, we hired Matt Martin as completed a public offering pursuant to an Underwriting Agreement, dated April 19, 2024 (the "Underwriting Agreement"), of 4,620,760 shares of our Chief Technology Officer. On the same day, we granted non-qualified common stock options, in accordance with Nasdaq Listing Rule 5635(c)(4) and outside of the 2021 Plan, redeemable warrants to purchase an

aggregate 4,620,760 shares of 150 thousand shares our common stock (the "Public Warrants"). The Public Warrants were offered and sold at the rate of one Public Warrant for every one share of common stock with purchased. The public offering price for each set of one share of common stock and accompanying Public Warrant was \$0.92, yielding an exercise effective price of \$0.91 per share and \$0.01 per warrant. Each Public Warrant has an exercise price of \$1.05 per share, subject to adjustments provided therein, and are redeemable by us once they become exercisable upon 30 days' advance notice if the closing price of our common stock reported equals or exceeds \$2.275 for any 20 business days within a 30 consecutive business-day period. The Public Warrants are exercisable for a period of five years starting from the date of issuance.

In connection with the public offering, we also issued warrants to Public Ventures, LLC, as underwriter of the public offering ("Public Ventures"), to purchase up to 369,660 shares of our common stock at an exercise price of \$1.1375 per share as a material inducement consideration for the services provided (the "Underwriter Warrants"), the Underwriter Warrants will become exercisable 180 days after the execution of the Underwriting Agreement. The Underwriter Warrants will expire 5 years after the execution date of the Underwriting Agreement and may be exercised on a cashless basis based on a formula set forth therein.

Pursuant to Mr. the Underwriting Agreement, we also granted to Public Ventures an option, exercisable not later than 45 days after the execution of the Underwriting Agreement, to purchase from us (i) up to an additional 693,114 shares of common stock and accompanying Public Warrants to purchase up to 693,114 shares of common stock; or (ii) up to an additional 693,114 shares of common stock only (the "Over-Allotment Option"), representing up to 15% of the shares of common stock and Public Warrants, or common stock only, as the case may be, sold in the public offering for the purpose of covering the exercise of the Over-Allotment Option, if applicable.

On May 15, 2024, we issued an additional 693,114 shares of common stock and accompanying Public Warrants to purchase up to 693,114 shares of common stock pursuant to Public Ventures' full exercise of the Over-Allotment Option (the "Over-Allotment Securities") at a price of \$0.92 per set of one share of common stock and accompanying Public Warrants, yielding an effective price of \$0.91 per share of common stock and \$0.01 per accompanying Public Warrant. In connection with the exercise of the Over-Allotment Option, we also issued to Public Ventures additional Underwriter Warrants to purchase up to 55,449 shares of common stock.

Concurrent Private Placement

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Martin's entering into employment with us. These options vest in three equal installments, with one third of the option vesting on the grant date, and each remaining third of the options to vest on the first and second anniversaries of the grant date, subject to continued employment in a private placement that was completed concurrently with the Company. This event does not impact public offering described above, in accordance with a Securities Purchase Agreement, dated April 19, 2024, and subsequently amended on April 22, 2024 (as amended, the nine months ended September 30, 2023 consolidated financial statements, but will impact the year ended December 31, 2023 consolidated financial statements.

On November 9, 2023 "Purchase Agreement", 116 thousand we also issued to one accredited investor (i) 2,249,763 shares of common stock valued (the "Private Shares"), (ii) pre-funded warrants (the "Pre-Funded Warrants") to purchase up to 3,155,642 shares of common stock, and (iii) redeemable warrants (the "Private Warrants") to purchase up to 8,108,106 shares of common stock. The Pre-Funded Warrants are each exercisable for one share of common stock at approximately \$99 thousand, an exercise price of \$0.0001 per share and will expire when exercised in full. We are prohibited from effecting an exercise of any Pre-Funded Warrants to the extent that such exercise would result in the number of shares of common stock beneficially owned by the holder and its affiliates exceeding 4.99% (or 9.99% at election of the holder) of the total number of shares of common stock outstanding immediately after giving effect to the exercise, which percentage may be increased or decreased at the holder's election not to exceed 9.99%.

The Private Warrants were issued offered and sold at the rate of three Private Warrant for vested restricted every two shares of common stock units (or Pre-Funded Warrants in lieu thereof) purchased in the private placement. The offering prices in the private placement per set of securities was \$0.91 per share and \$0.01 per accompanying Private Warrant, or \$0.9099 per Pre-Funded Warrant and \$0.01 per accompanying Private Warrant, as applicable. The Private Warrants will be exercisable at an exercise price of \$1.05 per share, will be exercisable 6 months after issuance and will expire 5 years from the date of issuance. The Private Warrants are also redeemable on the same terms as the Public Warrants, provided that there is an effective registration statement covering the resale of the shares issuable upon exercise of the Private Warrants. The Pre-Funded Warrants are immediately exercisable upon issuance and will expire when exercised in full.

In connection with the resignation private placement, we also issued Public Ventures, as our exclusive placement agent, warrants to purchase up to 432,432 shares of our common stock at an exercise price of \$1.1375 per share as a member consideration for the services provided (the "Placement Agent Warrants"). The Placement Agent Warrants will be exercisable 180 days after the execution of the Company's board Purchase Agreement, expire 5 years after the date of directors the Purchase Agreement and may be exercised on November 9, 2023 a cashless basis based on a formula set forth therein.

The public offering and the concurrent private placement resulted in combined gross proceeds of approximately \$9.3 million, and net proceeds of approximately \$8.1 million. The sale of the Over-Allotment Securities resulted in additional gross and net proceeds of approximately \$0.6 million, respectively.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND OTHER INFORMATION CONTAINED IN THIS REPORT

This Quarterly Report on Form 10-Q (this "Form 10-Q" or "report") contains forward-looking statements within the meaning of the Private Securities Litigation Act of 1995 and the provisions of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended, amended (the "Exchange Act"). Forward-looking statements give our current expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historical or current facts. You can find many (but not all) of these statements by looking for words such as "approximates,"

"believes," "hopes," "expects," "anticipates," "estimates," "projects," "intends," "plans," "would," "should," "could," "may," "will" or other similar expressions in this report. In particular, these include statements relating to future actions; prospective products, applications, customers, and technologies; future performance or results of any products; anticipated expenses; and future financial results. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or projections. Factors that could cause actual results to differ materially from those discussed in the forward-looking statements include, but are not limited to:

- our limited cash, history of losses, and our expectation that we will continue to experience operating losses and negative cash flows in the near future;
- our ability to successfully develop and implement our technologies and achieve profitability;
- our limited operating history;
- our ability to maintain the listing of our common stock on the Nasdaq Capital Market ("Nasdaq");
- changes in government regulations that could substantially reduce, or even eliminate, the need for our technology;
- emerging competition and rapidly advancing technology in our industry that may outpace our technology;
- customer demand for the products and services we develop;
- the impact of competitive or alternative products, technologies, and pricing;
- our ability to manufacture any products we design;
- general economic conditions and events and the impact they may have on us and our potential customers;
- our doing business in China and related risks with respect to intellectual property protection, currency exchange, contract enforcement, and rules on foreign investment and pandemic era regulations; investment;
- the impact of a cybersecurity incident or other technology disruption;
- our ability to protect our intellectual property;
- our ability to obtain adequate financing in the future;
- our ability to retain and hire personnel with the experience and talent to develop our products and business;
- the financial and operational impacts of the coronavirus pandemic on our business and results of operations, including impacts on our day-to-day operations, collaborative arrangements, revenue and marketing efforts and suppliers;
- our success at managing the risks involved in the foregoing items; and
- other factors discussed in this report and in the section titled "Risk Factors" in our most recent Annual Report on Form 10-K.

Forward-looking statements may appear throughout this report, including, without limitation, Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations." The forward-looking statements are based upon management's beliefs and assumptions and are made as of the date of this report. We undertake no obligation to publicly update or revise any forward-looking statements included in this report. You should not place undue reliance on these forward-looking statements.

Unless otherwise stated or the context otherwise requires, the terms "ClearSign," "we," "us," "our" and the "Company" refer to ClearSign Technologies Corporation and its subsidiary, ClearSign Asia Limited.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the unaudited consolidated condensed financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q as well as our audited financial statements and related notes included in our most recent Annual Report on Form 10-K. In addition to historical information, this discussion and analysis here and throughout this Form 10-Q contains forward-looking statements that involve risks, uncertainties, and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements due to a number of factors, including but not limited to, the risks described in the section titled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

Overview

We design and develop technologies for the purpose of improving key performance characteristics of combustion systems, including emission and operational performance, energy efficiency and overall cost-effectiveness. Our ClearSign Core™ technology has been proven in full scale industrial test furnaces and boilers and first customer installations are currently operating in normal commercial applications. We have generated nominal revenues from operations to date to meet operating expenses.

We have incurred losses since inception totaling ~~\$92.8 million~~ \$94.8 million and we expect to experience operating losses and negative cash flow for the foreseeable future. We have historically financed our operations primarily through issuances of equity securities. Since inception, As of April 23, 2024, we have raised approximately ~~\$91.0 million~~ \$100.9 million in gross proceeds through the sale of our equity securities. We may need to raise additional capital in the future, however, the significant volatility in the capital markets may negatively affect our ability to raise this additional capital.

In order to generate meaningful revenues, our technologies must gain market recognition and acceptance to develop sufficient recurring sales. In addition, management believes that the successful growth and operation of our business is dependent upon our ability to obtain adequate sources of funding through co-development agreements, strategic partnering agreements, or equity or debt financing to support commercialization of our research and development efforts, protect intellectual property, form relationships with strategic partners and provide for working capital and general corporate purposes. There can be no assurance that we will be successful in achieving our long-term plans, or that such plans, if consummated, will result in profitable operations or enable us to continue in the long-term as a going concern.

With respect to our China operations, we have a satellite office located in Beijing, China to support our commercialization efforts. At this time, these operations in China are immaterial compared to total company operations. As of September 30, 2023, our China asset balance totaled \$261 thousand, or approximately 3%, compared to our total asset balance of \$8,998 thousand. During the nine months ended September 30, 2023 and 2022, our China operations reported zero revenues.

Our costs include employee salaries and benefits, compensation paid to consultants, materials and supplies for prototype development and manufacture, costs associated with development activities including materials, sub-contractors, travel and administration, legal and accounting expenses, sales and marketing costs, general and administrative expenses, and other costs associated with an early stage, publicly traded technology company. We currently have 16 full-time employees. Because using third party expertise and resources is more efficient than maintaining full time resources, we also expect to incur ongoing consulting expenses related to technology development and some administrative, sales and legal functions commensurate with our current level of activities.

The amount that we spend for any specific purpose may vary significantly, and could depend on a number of factors including, but not limited to, the pace of progress of our commercialization and development efforts, actual needs with respect to product testing, development and research, market conditions, and changes in or revisions to our sales and marketing strategies.

Research, development, and commercial acceptance of new technologies are, by their nature, unpredictable. Although we undertake development and commercialization efforts with reasonable diligence, there can be no assurance that the net proceeds from our securities offerings will be sufficient to enable us to develop our technology to the extent needed to create sufficient future sales to sustain operations. If the net proceeds from these offerings are insufficient for this purpose, we will consider other options to continue our path to commercialization.

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including, but not limited to, additional financing through follow-on equity offerings, debt financing, co-development agreements, sale or licensing of developed intellectual or other property, or other alternatives.

We cannot assure that our technologies will be accepted, that we will ever earn revenues sufficient to support our operations, or that we will ever be profitable. Furthermore, we have no committed source of financing, and we cannot assure that we will be able to raise money as and when we need it to continue our operations. If we cannot raise funds as and when we need them, we may be required to scale back our development by reducing expenditures for employees, consultants, business development and marketing efforts or to otherwise severely curtail, or even to cease, our operations.

Recent Developments

ATM Suspension

On March 18, 2024, we filed a prospectus supplement suspending the sales of common stock under our At-the-Market ("ATM") program pursuant to that certain Sales Agreement between us and Virtu Americas LLC, as sales agent, dated December 23, 2020 (the "Sales Agreement"). We will not make any sales of our shares of common stock pursuant to the Sales Agreement unless and until a new prospectus supplement is filed with the Securities and Exchange Commission (the "SEC"); however, the Sales Agreement remains in full force and effect.

Public Offering and Concurrent Private Placement

On April 23, 2024, we completed an underwritten public offering, whereby we sold 4,620,760 shares of common stock and 5-year redeemable warrants to purchase up to 4,620,760 shares of common stock, (plus a 45-day option to purchase up to an additional 693,114 shares of common stock and 5-year redeemable warrants to purchase up to 693,114 shares of common stock, or up to 693,114 shares of common stock only) at a price of \$0.92 per set of one share of common stock and one redeemable warrant. Concurrently, we completed a private placement, whereby we sold 2,249,763 shares of common stock, pre-funded warrants to purchase up to 3,155,642 shares of common stock and 5-year redeemable warrants to purchase up to 8,108,106 shares of common stock. The offering prices in the private placement were \$0.91 per share and \$0.01 per redeemable warrants, or \$0.9099 per pre-funded warrant and \$0.01 per redeemable warrants, as applicable. The warrants issued in both offerings have an exercise price equal to \$1.05 per share.

In connection with these offerings, we issued Public Ventures, LLC ("Public Ventures") 5-year warrants to purchase up to 369,660 shares of common stock at an exercise price of \$1.1375 per share as part of their underwriter compensation, which warrants will become exercisable on October 16, 2024. We also issued Public Ventures 5-year warrants to purchase up to 432,432 shares of common stock at an exercise price of \$1.1375 per share as part of their placement agent compensation for the private placement, which warrants will become exercisable on October 16, 2024. Both sets of warrants may be exercised on a cashless basis based on a formula set forth therein.

Subsequently, on May 15, 2024, Public Ventures exercised its option in full to purchase an additional 693,114 shares of common stock and 5-year redeemable warrants to purchase up to 693,114 shares of common stock at a price of \$0.92 per set of one share of common stock and one redeemable warrant.

The public offering and the concurrent private placement resulted in combined gross proceeds of approximately \$9.3 million, and net proceeds of approximately \$8.1 million. The exercise of Public Ventures' option to purchase additional shares of common stock and redeemable warrants resulted in additional gross and net proceeds of approximately \$0.6 million, respectively.

Nasdaq Listing Rules Compliance

Nasdaq Compliance Notice

As previously disclosed, on November 24, 2023, we were notified by Nasdaq that we were not in compliance with Nasdaq Listing Rules 5605(b)(1) and 5605(c)(2)(A) because our Board of Directors (the "Board"), at the time of

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such notification, did not have a majority of directors who would be considered "independent directors," as that term is defined in Nasdaq Listing Rule 5605(a)(2), and the Board's Audit & Risk Committee (the "Audit Committee") consisted of only two independent directors as a result of the resignation of Gary DiElsi from the Board. We were initially given a cure period in order to regain compliance (i) until the earlier of the Company's next annual stockholders' meeting or November 11, 2024, or (ii) if the next annual stockholders' meeting was to be held before May 7, 2024, then we would need to evidence compliance by no later than May 7, 2024.

To regain compliance, we were required to identify and select a member for the Board who qualified as "independent" and would meet the Audit Committee criteria set forth in Nasdaq Listing Rule 5605. This requirement was met on April 23, 2024, when David M. Maley was appointed as a member of the Board and Audit Committee, which appointment was disclosed in a Current Report on Form 8-K filed with the SEC on April 24, 2024.

On April 25, 2024, we received a letter from Nasdaq informing us that we had regained compliance with the Board and Audit Committee composition requirements as set forth in Nasdaq Listing Rules 5605(b)(1) and 5605(c)(2)(A), respectively.

Nasdaq Deficiency Notice

On May 2, 2024, we received a letter (the "Notice") from Nasdaq's Listing Qualifications Staff (the "Staff") indicating that, based upon our common stock's closing bid price for the last 30 consecutive business days beginning on March 20, 2024 and ending on May 1, 2024, we no longer meet the requirement to maintain a minimum bid price of \$1 per share, as set forth in Nasdaq Listing Rule 5550(a)(2).

In accordance with Nasdaq Listing Rule 5810(c)(3)(A), we have been provided a period of 180 calendar days, or until October 29, 2024, in which to regain compliance. In order to regain compliance with the minimum bid price requirement, our common stock's closing bid price must be at least \$1 per share for a minimum of ten consecutive business days during this 180 day period. In the event that we do not regain compliance within this 180 day period, we may be eligible to seek an additional compliance period of 180 calendar days if we meet the continued listing requirement for market value of publicly held shares and all other initial listing standards for Nasdaq, with the exception of the bid price requirement, and provide written notice to Nasdaq of our intent to cure the deficiency during this second compliance period, by effecting a reverse stock split, if necessary. However, if it appears to the Staff that we will not be able to cure the deficiency, or if we are not otherwise eligible, Nasdaq will provide notice to us that our common stock will be subject to delisting.

The Notice does not result in the immediate delisting of our common stock from Nasdaq, and we intend to monitor our common stock's closing bid price and consider its available options in the event that our common stock's closing bid price remains below \$1 per share.

Critical Accounting Policies

The following discussion and analysis of financial condition and results of operations is based upon our financial statements, which have been prepared in conformity with accounting principles generally accepted in the United States of America. Certain accounting policies and estimates are particularly important to the understanding of our financial position and results of operations. These policies and estimates require the application of significant judgment by management. These estimates can be materially affected by changes from period to period as economic factors and conditions outside of our control change. As a result, they are subject to an inherent degree of uncertainty. In applying these policies, our management uses their judgment to determine the appropriate assumptions to be used in the determination of certain estimates. Those estimates are based on our historical operations, our future business plans and projected financial results, the terms of existing contracts, our observance of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate. See We believe the current assumptions and other

considerations used to estimate amounts reflected in the condensed consolidated financial statements included in this Form 10-Q are appropriate.

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This Form 10-Q and our most recent Annual Report on Form 10-K include discussions of our accounting policies, as well as methods and estimates used in the preparation of our audited consolidated financial statements. For further information on our critical accounting policies and estimates, see "Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations" in our most recent Annual Report on Form 10-K, the notes to our audited consolidated financial statements included in our most recent Annual Report on Form 10-K and Note 2 to of our unaudited condensed consolidated financial statements included elsewhere in this report for Form 10-Q. Since our most recent Annual Report on Form 10-K, we have not experienced a more complete description of material change to our significant critical accounting policies, policies or the methods and applications used to develop our accounting estimates.

[Revenue Recognition and Cost of Goods Sold.](#)

The Company recognizes revenue and related cost of goods sold in accordance with FASB ASC 606 *Revenue from Contracts with Customers* (ASC 606). Revenues and cost of goods sold are recognized once the goods or services are delivered to the customer's control or non-refundable performance obligations are satisfied. The Company's contracts with customers generally have performance obligations and a schedule of non-refundable cancellation obligations. The contracts generally will be fully performed upon delivery of certain documents or equipment. Revenue related to the contracts is recognized following the completion of non-refundable performance obligations as defined in the contract.

The Company's contracts generally include progress payments from customers upon completion of defined milestones. As these payments are received, they are offset against accumulated project costs and recorded as either contract assets or contract liabilities. Upon completion of the performance obligations and collectability is determined, revenue can be recorded. For any contract in connection with which the Company is expected to incur costs in excess of the contact price, the Company accrues the estimated loss in full in the period such determination is made.

[Impairment of Long-Lived Assets](#)

The Company tests long-lived assets, consisting of fixed assets, patents, and other intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable through the estimated undiscounted cash flows expected from the use and eventual disposition of the assets. In the event an asset is not fully recoverable a loss is recognized based on the amount by which the carrying amount exceeds the fair value of the long-lived assets. Fair value is determined based on the present value of estimated expected cash flows using a discount rate commensurate with the risks involved, quoted market prices, or appraised values.

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depending upon the nature of the assets. Losses on long-lived assets to be disposed of is determined in a similar manner, except those fair values are reduced for the cost of disposal.

Product Warranties

The Company warrants all installed products against defects in materials and workmanship, and shortcomings in performance compared to contractual guarantees for a period specified in each contract. Accruals for product warranties are based on expected warranty experience and current product performance trends which are recorded as a component of cost of sales at the time revenue is recognized. The warranty liabilities are reduced by material and labor costs during the warranty period in the periods in which the costs are incurred. The Company periodically assesses the adequacy of our recorded warranty liabilities and adjusts the amounts as necessary, and such adjustments could be material if estimates differ significantly from actual warranty expense. The warranty liabilities are included in accounts payable and accrued liabilities in the unaudited condensed consolidated balance sheets.

Research and Development

The cost of research and development is expensed as incurred. Research and development costs consist of salaries, benefits, share based compensation, consumables, and consulting fees, including costs to develop and test prototype equipment and parts. Research and development costs are offset by any funds received from strategic partners in cost sharing, collaborative projects.

Stock-Based Compensation

The costs of all employee stock options, as well as other equity-based compensation arrangements, are reflected in the unaudited, condensed consolidated financial statements based on the estimated fair value of the awards on the grant date. That cost is recognized over the period during which an employee is required to provide service in exchange for the award, or in the case of performance options, expense is recognized upon completion of a milestone as defined in the grant agreement. Stock-based compensation for stock grants to non-employees is determined as the fair value of the consideration received or the fair value of equity instruments issued, whichever is more reliably measured.

Fair Value of Financial Instruments

The Company's financial instruments primarily consist of cash equivalents, accounts payable, accrued expenses and short-term investments in government securities. As of the balance sheet date, the estimated fair values of the financial instruments were not materially different from their carrying values as presented on the consolidated balance sheets. This is primarily attributed to the short maturities of these instruments.

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RESULTS OF OPERATIONS

Comparison of the Three and Nine Months Ended September 30, 2023 March 31, 2024 and 2022 2023

Highlights of our quarter financial performance are as follows:

(in thousands, except per share data)

REFINITIV CORPORATE DISCLOSURES | www.refinitiv.com | Contact Us

	2023	2022	\$ Change	% Change
Revenues	\$ 85	\$ 324	\$ (239)	(73.8)%
Cost of goods sold	61	201	\$ (140)	(69.7)%
Gross profit	24	123	\$ (99)	(80.5)%
Research and development	93	97	\$ (4)	(4.1)%
General and administrative	1,428	1,461	\$ (33)	(2.3)%
Operating Expenses	1,521	1,558	\$ (37)	(2.4)%
Other income, net	165	123	\$ 42	34.1 %
Net loss	\$ (1,332)	\$ (1,312)	\$ (20)	(1.5)%
Basic and diluted net income per common share	\$ (0.03)	\$ (0.03)	\$ (0.00)	NM

(in thousands, except per share data)	For the Nine Months Ended				For the Three Months Ended			
	September 30,				March 31,			
	2023	2022	\$ Change	% Change	2024	2023	\$ Change	% Change
Revenues	\$ 1,129	\$ 324	\$ 805	248.5 %	\$ 1,102	\$ 894	\$ 208	23.3 %
Cost of goods sold	870	201	\$ 669	332.8 %	665	788	\$ (123)	(15.6)%
Gross profit	259	123	\$ 136	110.6 %	437	106	\$ 331	312.3 %
Research and development	440	393	\$ 47	12.0 %	281	160	\$ 121	75.7 %
General and administrative	4,649	4,342	\$ 307	7.1 %	1,408	1,650	\$ (242)	(14.7)%
Operating Expenses	5,089	4,735	\$ 354	7.5 %	1,689	1,810	\$ (121)	(6.7)%
Other income, net	591	172	\$ 419	243.6 %	144	275	\$ (131)	(47.7)%
Net loss	\$ (4,239)	\$ (4,440)	\$ 201	4.5 %	\$ (1,108)	\$ (1,429)	\$ 321	22.5 %
Basic and diluted net income per common share	\$ (0.11)	\$ (0.13)	\$ 0.02	15.4 %	\$ (0.03)	\$ (0.04)	\$ 0.01	25.0 %
NM = Not meaningful								

Revenues and Gross Profit

Consolidated revenues for the three and nine months ended September 30, 2023, March 31, 2024 were \$85 \$1,102 thousand and \$1,129 thousand, respectively, compared to \$324 \$894 thousand for the same time periods period in 2022 2023. Revenues for the three months ended September 30, 2023 March 31, 2024, were predominately generated from our process burner line. Specifically, we shipped multiple process burners, executed consulting services, and delivered spare parts related to orders from our California refinery customer. For a boiler burner order, different customer, an engineering study and Computational Fluid Dynamic ("CFD") analysis was successfully accepted by the customer, and such analysis marked completion of a contractual performance obligation for this customer per ASC 606 standards. Revenues for the nine three months ended September 30, 2023, March 31, 2023 were generated from several orders for spare parts, predominately related to our process burner product line and an associated burner performance testing, test. The associated burner performance test satisfied a contractual performance obligation, per ASC 606 standards, that required our customer to witness a successful burner performance test that met their engineering feasibility study and boiler burner sale, specifications.

The \$324 thousand in consolidated revenues for the three and nine months ended September 30, 2022, were predominantly generated from the closeout of our ExxonMobil technology validation project. Additional revenue consisted of the sale of our ClearSign Core™ enclosed oxidizer product for a hydrogen production plant.

Gross profit for the three months ended September 30, 2023 March 31, 2024, decreased increased by \$99 \$331 thousand compared to \$123 \$106 thousand in profit for the same period in 2022, mostly due to a lower 2023. The favorable increase in profit was driven by the higher margin profile for the boiler burner sold in shipment of multiple process burners during the third first quarter of 2023 2024 as compared to the margin from the ExxonMobil technology validation project during the 2022 comparable period. The margin profile for the boiler burner order sold a customer witness test in the 2023 quarter was lowered to incentivize the sale and adoption of our technology. Gross profit for the quarter ended September 30, 2023, was approximately 28.2% of revenues, resulting in a decrease of approximately 9.8% compared to the same quarter in 2022.

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Gross profit for the nine months ended September 30, 2023, increased by \$136 thousand compared to \$123 thousand for the same period in 2022. For the nine months ended September 30, 2023, gross profit was approximately 22.9% of revenues, resulting in a decrease of approximately 15.1% compared to the same period in 2022, mainly due to our burner performance testing revenues during 2023, and revenues recognized in connection with the ExxonMobil technology validation project during the 2022 comparable period. The 2023. This margin profile in the current year difference was expected since customer witness tests typically produce lower predominantly due to the revenue coming from burner performance testing. Burner performance testing typically produces lower margin compared to burner fabrication revenues. margins.

Operating Expenses

Operating expenses consist of research and development ("R&D") and general and administrative ("G&A") expenses. These are addressed separately below.

Research and Development

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R&D expenses for the three and nine months ended September 30, 2023 March 31, 2024, remained relatively consistent year-over-year. increased by \$121 thousand, or 75.7%, when compared to the same period in 2023. This unfavorable year-over-year difference in R&D expenses is primarily driven by additional head count and related benefit costs of \$89 thousand, that did not exist in the comparable period in 2023.

General and Administrative

G&A expenses for the 2023 third quarter remained relatively consistent compared to the same quarter in 2022. During the three months ended September 30, 2023 March 31, 2024, G&A expenses decreased by \$33 \$242 thousand, or 2.3% when compared to the same quarter in 2022.

During the nine months ended September 30, 2023 14.7%, G&A expenses increased by \$307 thousand or 7.1% when compared to the same period in 2022. This favorable year-over-year difference in G&A expenses is primarily comprised of \$73 \$187 thousand for vesting of restricted stock units triggered by the departure of two board members, one in 2023 and a Board member during the other in 2022; an increase in project management and refurbishment costs for our Seattle office decommissioning project, which added \$134 thousand in expenses as compared to the same period in 2022; and the vesting of \$62 thousand in inducement stock options, which were granted to our new Customer Relationships and Business Development Director to incentivize employment (see "Note 6 – Equity – Inducement Options" for more details on the granted inducement options). prior year comparable quarter.

Other Income

Other income increased/decreased by \$42/\$131 thousand, or 34.1%/47.7%, and \$419 thousand or 243.6% for the three and nine month periods/months ending on September 30, 2023/March 31, 2024, respectively, as compared to the same time periods in 2022. During the three months ended September 30, 2023, interest income increased by \$51 thousand compared to the same quarter in 2022. Materials sold as a result of our Seattle office decommission project increased other income by \$43 thousand compared to the same quarter in 2022. The current third quarter increases were offset by a decrease of \$50 thousand in government assistance, which are related to our Oklahoma Quality Jobs rebate agreement and our Department of Energy ("DOE") ultra-low NOx hydrogen burner development grant. Our Phase 2 DOE grant was awarded late in the current quarter, thus a minimal amount of reimbursement was earned compared to our prior Phase 1 grant reimbursements during the comparable period. During the nine months ended September 30, 2023, interest income increased by \$202 thousand, which was driven by rising interest rates. Our Seattle office decommission project increased other income by \$197 thousand for the nine months ended September 30, 2023, compared to the same period in 2022.

2023. The unfavorable change is primarily due to the \$119 thousand sale of materials from the decommissioning of our Seattle office during the comparable period in 2023.

Net Loss

Net loss for the three months ended September 30, 2023/March 31, 2024, was \$1,332/\$1,108 thousand as compared to \$1,312/\$1,429 thousand for the same quarter in 2022, 2023, or an approximate 1.5% increase/22.5% decrease. The \$20/\$321 thousand increase/decrease is primarily attributable to the \$99 thousand decrease in gross profit referenced in the above explanation.

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Net loss for the nine months ended September 30, 2023, was \$4,239 thousand as compared to \$4,440 thousand for the same period in 2022, or an approximate 4.5% decrease. The \$201 thousand decrease in net loss is primarily attributable to the \$136/\$331 thousand increase in gross profit referenced in the above explanation.

Liquidity and Capital Resources

At September 30, 2023/March 31, 2024, our cash and cash equivalent balance totaled \$7,235/\$4,624 thousand compared to \$6,451/\$5,684 thousand at December 31, 2022/December 31, 2023, an increase/decrease of \$784/\$1,060 thousand. The increase/decrease in cash and cash equivalent balance is primarily attributable to the change in our net loss of short-term held-to-maturity investments, \$1,108 thousand.

At September 30, 2023, our short-term held-to-maturity investments totaled zero, compared to \$2,606 thousand at December 31, 2022.

At September 30, 2023/March 31, 2024, our current assets were in excess of current liabilities resulting in working capital of \$4,947/\$3,540 thousand as compared to \$8,586/\$4,253 thousand at December 31, 2022/December 31, 2023. Our Annual Report on Form 10-K filed with the SEC on April 1, 2024, contained a "going concern" note in our annual audit report prepared by our independent registered public accounting firm, which raised substantial doubt about our ability to continue operations. We believe that we have no contractual debt obligations, alleviated the substantial doubt raised by our independent auditor following the consummation of the public offering and the Company has sufficient cash related over-allotment exercise by the underwriter to purchase additional securities, as well as the concurrent private placement, pursuant to which offerings we raised aggregate gross proceeds of \$9.9 million and expected cash collections net proceeds of \$8.7 million, after broker discounts and related offering fees. The public offering was consummated pursuant to fund current operating expenses and an effective "shelf" registration statement on Form S-3. See "Recent Developments – Public and

Concurrent Private Placement" above for over twelve months. To the extent the Company requires additional funds more than 12 months from the date hereof, and customer cash collections cannot fund our needs, the Company may utilize equity details on these offerings. Historically, the Company has funded operations predominantly through equity offerings.

Currently, the Company can sell shares of common stock through its ATM program. As of September 30, 2023, the remaining aggregate offering price for future sales of common stock on the ATM is approximately \$8.7 million. Additionally, because we are subject to the SEC's "baby shelf rules," which prohibits companies with a public float of less than \$75 million from issuing securities under a shelf "shelf" registration statement in excess of one-third of such company's public float in a 12-month period (for more details, see refer to "Note 67 – Equity" above in the notes to our condensed consolidated financial statements). Future sales of shares of common stock and the price at we suspended our ATM program (see "Recent Developments – ATM Suspension" above for more details), pursuant to which we may be able to sell such shares of common stock under the ATM are dependent on factors beyond our control, including, but not limited to, market conditions, and the trading price of our common stock.

We filed a stock from time to time. The "shelf" registration statement on Form S-3 shelf registration statement was filed with the SEC on July 1, 2022 that was, and declared effective on August 12, 2022. The "shelf" registration statement on Form S-3 allows us to offer common stock, preferred stock, warrants, subscription rights, debt securities and units from time to time, subject to the "baby shelf rules," and as market conditions permit to fund, to the extent required, beyond the 12 months from the date hereof, the ongoing operations of the Company. Until the growth of revenue increases to a level that covers operating expenses, the Company intends to continue to fund operations in this manner, although the volatility in the capital markets may negatively affect our ability to do so.

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Accordingly, after considering the subsequent events following the period covered in this Form 10-Q, we believe we have sufficient cash and expected cash collections to fund current operating expenses for over twelve months. We have no contractual debt obligations and to the extent we may require additional funds beyond twelve months from the date hereof, and customer cash collections cannot fund our needs, we may utilize equity offerings. Historically, we have funded operations predominantly through equity offerings.

Operating activities for the nine three months ended September 30, 2023 March 31, 2024, resulted in cash outflows of \$1,783 \$1,001 thousand, primarily due to the net loss for the period of \$1,108 thousand, offset with non-cash expense of \$121 thousand.

Operating activities for the three months ended March 31, 2023, resulted in cash outflows of \$554 thousand, primarily due to the loss for the period of \$4,239 \$1,429 thousand, offset with non-cash expenses of \$678 \$329 thousand, and an increase of \$1,554 \$392 thousand of contract liabilities, which represents payments from customers in advance of future project costs.

Operating Investing activities for the nine three months ended September 30, 2022 March 31, 2024, resulted in cash outflows of \$4,264 \$34 thousand, primarily due which is attributable to the loss disbursements for the period of \$4,440 thousand, offset with non-cash expenses of \$520 thousand, patents and other intangible assets.

Investing activities for the nine three months ended September 30, 2023 March 31, 2023, resulted in cash inflows outflows of \$2,595 \$554 thousand, which is primarily attributable to the redemption \$4,847 \$2,162 thousand of short-term held-to-maturity U.S. treasuries, treasury purchases, offset by \$2,162 \$1,627 thousand in redemption of purchases for the same type of investments.

Investing activities for the nine months ended September 30, 2022, resulted in cash outflows of \$3,982 thousand, which is primarily attributable to \$3,900 thousand of investments in short-term held-to-maturity U.S. treasuries, and \$114 thousand of disbursements for patents and other intangibles.

Financing activities for the nine three months ended September 30, 2023 March 31, 2024, included \$22 thousand in disbursements for taxes paid related to vesting of employee restricted stock units.

Financing activities for the three months ended March 31, 2023, included \$15 thousand in disbursements for taxes paid related to vesting of employee restricted stock units.

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Financing activities for the nine months ended September 30, 2022, included \$6,539 thousand in net proceeds from the sale of 501 thousand shares of our common stock through our ATM program at an average price of \$1.24 per share, sale of 4.2 million shares of our common stock through a public offering at an average price of \$1.11 per share, and sales of 1.6 million shares of our common stock at a price of \$1.11 per share pursuant to the Participant Right with clirSPV.

Off-Balance Sheet Transactions

We do not have any off-balance sheet transactions.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we are not required to provide this information.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the **Securities Exchange Act, of 1934, as amended, (the "Exchange Act")**, that are designed to reasonably ensure that information required to be disclosed in our reports filed under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal accounting and financial officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including our Chief Executive Officer (principal executive officer) and our Chief Financial Officer (principal accounting and financial officer), of the effectiveness of the design and operation of our disclosure controls and procedures as of **September 30, 2023** **March 31, 2024**, the end of the period covered by this **Quarterly Report on Form 10-Q**. Based upon the evaluation of our disclosure controls and procedures as of **September 30, 2023** **March 31, 2024**, our Chief Executive Officer (principal executive officer) and our Chief Financial Officer (principal accounting and financial officer) concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

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Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the quarter ended **September 30, 2023** **March 31, 2024** that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

Our management, including our Chief Executive Officer (principal executive officer) and our Chief Financial Officer (principal accounting and financial officer), does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or

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procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II-OTHER II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties and an adverse result in these or other matters may arise from time to time that may harm our business. We are currently not aware of any such legal proceedings or claims that we believe will have a material adverse effect on our business, financial condition or operating results.

ITEM 1A. RISK FACTORS

We incorporate herein by reference the risk factors included under "Part I - Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023** which we filed with the **Securities and Exchange Commission SEC** on **March 31, 2023** **April 1, 2024**, and the risk factors included in the reports and other documents we filed with the **Securities and Exchange Commission SEC** subsequent to that date. There are no material changes from the risk factors set forth in such prior **filings**. **filings**, **as set forth below**.

If we do not have sufficient authorized shares, we will be limited in our ability to reserve adequate shares for certain outstanding warrants.

On April 23, 2024, we consummated an underwritten public offering of 4,620,760 shares of our common stock and accompanying redeemable warrants to purchase up to 4,620,760 shares of common stock, as well as a concurrent private placement of 2,249,763 shares of our common stock, pre-funded warrants to purchase up to 3,155,642 shares of our common stock and redeemable warrants to

purchase up to 8,108,106 shares of our common stock (the "Private Warrants"). Pursuant to the terms of the Private Warrants, we are required to reserve and maintain at any time after the initial exercise date thereof, which is October 23, 2024, a sufficient amount of shares issuable upon exercise of the Private Warrants. Based on the authorized but unissued and unreserved shares of common stock as of the date of this report, we may not have sufficient shares available to establish and maintain the required amount for such reserve when required, and we may not be able to issue shares of our common stock upon the exercise of the Private Warrants, which may result in a breach by us of the terms of the Private Warrants. Accordingly, we are asking stockholders to approve an

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amendment to our certificate of incorporation to increase the authorized shares of common stock issuable under our certificate of incorporation to 87,500,000 from 62,500,000 shares currently authorized. If the proposal is not approved by the stockholders, based on the authorized but unissued and unreserved shares of common stock as of the date hereof, we may not have sufficient shares available to establish and maintain the required amount for such reserve when required. There are no assurances that stockholder approval will be obtained and in that event we may not be able to issue shares of our common stock upon the exercise of the Private Warrants, which may result in a breach by us of the terms of the Private Warrants. In addition, without the increase to the number of authorized shares of common stock, we will be limited in the amount of equity we may issue in the future.

If we fail to comply with Nasdaq's continued minimum closing bid requirements by October 29, 2024 or other requirements for continued listing, including stockholder equity requirements, our common stock may be delisted and the price of our common stock and our ability to access the capital markets could be negatively impacted.

Our common stock is listed for trading on Nasdaq, therefore, we must satisfy Nasdaq's continued listing requirements, including, among other things, a minimum closing bid price requirement of \$1.00 per share for 30 consecutive business days. On May 2, 2024, the Nasdaq staff notified us that we did not comply with the minimum \$1.00 per share bid price requirement for continued listing, as set forth in Nasdaq Listing Rule 5550(a)(2) during the 30 consecutive business day period beginning on March 20, 2024 and ending on May 1, 2024. We have been granted 180 calendar days, or until October 29, 2024, to regain compliance. In the event that we do not regain compliance within this 180 day period, we may be eligible to seek an additional compliance period of 180 calendar days if we meet certain requirements.

There can be no assurance that we will be able to regain compliance with Nasdaq's listing rules. If we are unable to regain compliance with the minimum closing bid price requirement or if we fail to meet any of the other continued listing requirements, including stockholder equity requirements, our securities may be delisted from Nasdaq, which could reduce the liquidity of our common stock materially and result in a corresponding material reduction in the price of our common stock. In addition, delisting could harm our ability to raise capital on terms acceptable to us, or at all, and may result in the potential loss of confidence by investors, employees and business development opportunities.

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

On **September 30, 2023** **March 28, 2024**, we issued **3,750** **3.8** thousand shares of common stock at a price per share of **\$0.66**, **\$0.81**, the closing price of our common stock on **November 17, 2022** **November 16, 2023**, the date of grant, from our 2013 Consultant Stock Plan to our investor relations firm, Firm IR, for services provided during the three months ended **September 30, 2023** **March 31, 2024**. These shares were issued in reliance upon the exemption from registration provided by Section 4(a)(2) of the Securities Act, **of 1933, as amended**, for a transaction by an issuer not involving a public offering.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Disclosure Pursuant to Item 5.02 of Current Report on Form 8-K - Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On
November
9,
2023,
Gary
DiElsi
notified
our
Board
of
Directors
(the
"Board")
that he
will
resign
from
the
Board,
effective
immediately.

At the
time of
his
resignation,
Mr.
DiElsi
was the

chairperNone of the Board's Compensation Committee and Company's directors or officers adopted, modified or terminated a member Rule 10b-5 trading arrangement or a non-Rule 10b-5 trading arrangement during the fiscal quarter ended March 31, 2024, as such terms are defined under Item 408(a) of the Board's Audit Committee and Nominating and Corporate Governance Committee. Mr. DiElsi's decision to resign was not as a result of any disagreement with the Company on any matter relating to the Company's operations, policies or practices. The Company intends to appoint a new director to fill the vacancy resulting from Mr. DiElsi's resignation. Regulation S-K.

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ITEM 6. EXHIBITS

Exhibit Number	Document
3.13.1**	Certificate of Incorporation of ClearSign Technologies Corporation, a Delaware corporation (1) (incorporated by reference to Exhibit 3.3 of the Company's Form 8-K filed with the Securities and Exchange Commission on June 15, 2023).
3.2	Bylaws of ClearSign Technologies Corporation, a Delaware corporation (1) (incorporated by reference to Exhibit 3.4 of the Company's Form 8-K filed with the Securities and Exchange Commission on June 15, 2023).
4.1**	Form of Common Warrant (incorporated by reference to Exhibit 4.1 of the Company's Form 8-K filed with the Securities and Exchange Commission on April 19, 2024).
4.2**	Form of Underwriter's Warrant (incorporated by reference to Exhibit 4.2 of the Company's Form 8-K filed with the Securities and Exchange Commission on April 19, 2024).
4.3**	Form of Private Warrant (incorporated by reference to Exhibit 4.3 of the Company's Form 8-K filed with the Securities and Exchange Commission on April 19, 2024).
4.4**	Form of Pre-Funded Warrant (incorporated by reference to Exhibit 4.1 of the Company's Form 8-K filed with the Securities and Exchange Commission on April 23, 2024).
4.5**	Form of Placement Agent Warrant (incorporated by reference to Exhibit 4.4 of the Company's Form 8-K filed with the Securities and Exchange Commission on April 19, 2024).
31.1*	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer.
31.2*	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer.
32.1**	Section 1350 Certification of Principal Executive Officer and Principal Financial Officer.
101.INS	Inline XBRL Instance Document* Document.
101.INS*	Inline XBRL Taxonomy Extension Schema Document* Document.
101.SCH 101.SCH*	Inline XBRL Taxonomy Extension Calculation Linkbase Document* Document.
101.CAL 101.CAL*	Inline XBRL Taxonomy Extension Definition Linkbase Document* Document.
101.DEF 101.DEF*	Inline XBRL Taxonomy Extension Label Linkbase Document* Document.
101.LAB 101.LAB*	Inline XBRL Taxonomy Extension Presentation Linkbase Document* Document.
101.PRE 101.PRE*	Inline XBRL Taxonomy Extension Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).
104 104*	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

*Filed [herewith](#) herewith.

**Previously filed.

***Furnished [herewith](#)

+ Agreement with management or compensatory plan or arrangement.

(1) Incorporated by reference from the Form 8-K filed with the Securities and Exchange Commission on June 15, 2023, [herewith](#).

SIGNATURES

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

CLEARSIGN TECHNOLOGIES CORPORATION

Date: **November 14, 2023** **May 15, 2024**

By: /s/ Colin James Deller

Colin James Deller
Chief Executive Officer
(Principal Executive Officer)

Date: **November 14, 2023** **May 15, 2024**

By: /s/ Brent Hinds

Brent Hinds
Chief Financial Officer
(Principal Financial and Accounting Officer)

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Exhibit 31.1

CERTIFICATION

I, Colin James Deller, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ClearSign Technologies Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15-d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including any consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **November 14, 2023** May 15, 2024

/s/ *Colin James Deller*

Colin James Deller

Chief Executive Officer

(*Principal Executive Officer*)

Exhibit 32.1

CERTIFICATION

In connection with the quarterly report on Form 10-Q of ClearSign Technologies Corporation (the "Company") for the period ended March 31, 2024 as filed with the Securities and Exchange Commission (the "Report"), we, Colin James Deller, Chief Executive Officer (Principal Executive Officer) and Brent Hinds, Chief Financial Officer (Principal Financial and Accounting Officer) of the Company, hereby certify as of the date hereof, solely for purposes of Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

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

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: May 15, 2024

/s/ *Colin James Deller*

Colin James Deller

Chief Executive Officer

(*Principal Executive Officer*)

/s/ Brent Hinds

Brent Hinds

Chief Financial Officer

(Principal Financial and Accounting Officer)

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing.

Exhibit 31.2

CERTIFICATION

I, Brent Hinds, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ClearSign Technologies Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15-d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including any consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; **and**
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2023 May 15, 2024

/s/ Brent Hinds

Brent Hinds

Chief Financial Officer

(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION

In connection with the periodic report of ClearSign Technologies Corporation (the "Company") on Form 10-Q for the quarterly period ended September 30, 2023 as filed with the Securities and Exchange Commission (the "Report"), we, Colin James Deller, Chief Executive Officer (Principal Executive Officer) and Brent Hinds, Chief Financial Officer (Principal Financial and Accounting Officer) of the Company, hereby certify as of the date hereof, solely for purposes of Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

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

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: November 14, 2023

/s/ Colin James Deller

Colin James Deller

Chief Executive Officer

(Principal Executive Officer)

/s/ Brent Hinds

Brent Hinds

Chief Financial Officer (Principal Financial and Accounting Officer)

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of ClearSign Technologies Corporation under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

DISCLAIMER

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