

**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, 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: 001-41358

**ACLARION, INC.**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

47-3324725

(IRS Employer Identification No.)

**8181 Arista Place, Suite 100**

**Broomfield, Colorado 80021**

(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: **(833) 275-2266**

**Not Applicable**

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.00001 per share	ACON	The Nasdaq Stock Market LLC
Warrants, each exercisable for one share of Common stock	ACONW	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 that the registrant was required to submit such files). Yes  No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated Filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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

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

As of November 14, 2024, there were 10,431,159 shares of the registrant's common stock, \$0.00001 par value per share, outstanding.

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q contains forward-looking statements about us and our industry that involve substantial risks and uncertainties. All statements, other than statements of historical facts, contained in this Quarterly Report on Form 10-Q, including statements regarding our strategy, future financial condition, future operations, projected costs, prospects, plans, objectives of management and expected market growth, are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "aim," "anticipate," "assume," "believe," "contemplate," "continue," "could," "design," "due," "estimate," "expect," "goal," "intend," "may," "objective," "plan," "positioned," "potential," "predict," "seek," "should," "target," "will," "would" and other similar expressions that are predictions of or indicate future events and future trends, or the negative of these terms or other comparable terminology.

Although we believe that we have a reasonable basis for each forward-looking statement contained in this Quarterly Report on Form 10-Q, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur at all. Forward-looking statements are subject to risks and uncertainties that could cause actual results to be materially different from those indicated (both favorably and unfavorably). These risks and uncertainties include, but are not limited to, those described in the Risk Factors section of the Company's Annual Report on Form 10-K for the year ended December 31, 2023 (the Form 10-K) dated March 28, 2024, as filed with the Securities and Exchange Commission on March 28, 2024, under Rule 424(b)(4). Caution should be taken not to place undue reliance on any such forward-looking statements. Except as required by law, we undertake no obligation to publicly update any forward-looking statements, whether as a result

of new information, future events or otherwise.

You should read this Quarterly Report on Form 10-Q and the documents that we reference in this Quarterly Report on Form 10-Q and have filed as exhibits completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of the forward-looking statements in this Quarterly Report on Form 10-Q by these cautionary statements.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

**Aclarion, Inc.**  
**Condensed Balance Sheets**

	<u>September 30,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
	(Unaudited)	
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,312,098	\$ 1,021,069
Restricted cash	10,000	10,000
Accounts receivable, net	16,951	13,270
Prepays and other current assets	558,272	245,030
Total current assets	<u>1,897,321</u>	<u>1,289,369</u>
<b>Non-current assets:</b>		
Property and equipment, net	892	1,782
Intangible assets, net	1,289,839	1,168,623
Total non-current assets	<u>1,290,731</u>	<u>1,170,405</u>
<b>Total assets</b>	<u>\$ 3,188,052</u>	<u>\$ 2,459,774</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)**

<b>Current liabilities:</b>			
Accounts payable	\$	331,765	\$ 760,535
Accrued and other liabilities		330,232	857,722
Note payable, net of discount		–	1,125,724
Warrant liability		16,270	289,165
Derivative liability		–	121,326
Liability to issue equity		–	33,297
<b>Total current liabilities</b>		<u>678,267</u>	<u>3,187,769</u>
<b>Total liabilities</b>		<u>678,267</u>	<u>3,187,769</u>
<b>Stockholders' equity (deficit)</b>			
Common stock - \$0.00001 par value, 200,000,000 authorized and 10,044,728 and 825,459 shares issued and outstanding (see Note 11)		100	8
Series B preferred stock - \$0.00001 par value, 20,000,000 authorized and 930 and 0 shares issued and outstanding (see Note 11)		–	–
Series C preferred stock - \$0.00001 par value, 20,000,000 authorized and 1,000 and 0 shares issued and outstanding (see Note 11)		–	–
Additional paid-in capital		51,782,424	43,553,523
Accumulated deficit		(49,272,739)	(44,281,526)
<b>Total stockholders' equity (deficit)</b>		<u>2,509,785</u>	<u>(727,995)</u>
<b>Total liabilities and stockholders' equity (deficit)</b>	<b>\$</b>	<b><u>3,188,052</u></b>	<b>\$ <u>2,459,774</u></b>

See accompanying notes to condensed financial statements.

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**Aclarion, Inc.**  
**Condensed Statements of Operations**  
**(unaudited)**

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
<b>Revenue</b>				
Revenue	\$ 14,407	\$ 19,065	\$ 35,492	\$ 61,607
Cost of revenue	<u>21,332</u>	<u>19,558</u>	<u>64,102</u>	<u>56,312</u>
Gross profit (loss)	(6,925)	(493)	(28,610)	5,295
<b>Operating expenses:</b>				
Sales and marketing	232,775	192,896	638,869	577,969
Research and development	195,797	198,252	636,940	652,657
General and administrative	<u>860,461</u>	<u>770,534</u>	<u>2,402,408</u>	<u>2,524,308</u>
Total operating expenses	<u>1,289,033</u>	<u>1,161,682</u>	<u>3,678,217</u>	<u>3,754,934</u>
<b>(Loss) from operations</b>	<u>(1,295,958)</u>	<u>(1,162,175)</u>	<u>(3,706,827)</u>	<u>(3,749,640)</u>
Other income (expense):				
Interest expense	(71,527)	(166,332)	(535,199)	(214,850)
Loss on exchange of debt	(6,585)	–	(1,073,317)	–
Loss on extinguishment of debt	–	–	(111,928)	–
Changes in fair value of warrant and derivative liabilities	7,591	330,252	330,632	318,452
Other, net	<u>303</u>	<u>245</u>	<u>93,284</u>	<u>11</u>
Total other income (expense)	<u>(70,218)</u>	<u>164,165</u>	<u>(1,296,528)</u>	<u>103,613</u>
Income (loss) before income taxes	(1,366,176)	(998,010)	(5,003,355)	(3,646,027)
Income tax provision	–	–	–	–
<b>Net income (loss)</b>	<u>\$ (1,366,176)</u>	<u>\$ (998,010)</u>	<u>\$ (5,003,355)</u>	<u>\$ (3,646,027)</u>
Dividends accrued for preferred stockholders	<u>(12,142)</u>	–	<u>(12,142)</u>	–
Net income (loss) allocable to common stockholders	<u>\$ (1,378,318)</u>	<u>\$ (998,010)</u>	<u>\$ (5,015,497)</u>	<u>\$ (3,646,027)</u>
Net income (loss) per share allocable to common shareholders	<u>\$ (0.15)</u>	<u>\$ (1.87)</u>	<u>\$ (0.65)</u>	<u>\$ (7.07)</u>
Weighted average shares of common stock outstanding, basic and diluted	<u>9,437,871</u>	<u>532,928</u>	<u>7,699,173</u>	<u>515,975</u>

See accompanying notes to condensed financial statements.

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**Condensed Statements of Changes in Stockholders' Equity (Deficit)**  
**(Unaudited)**

	Series A		Series B		Series C	
	Preferred Stock		Preferred Stock		Preferred Stock	
	Shares	Value	Shares	Value	Shares	Value*
Balance, December 31, 2022	-	\$ -	-	\$ -	-	\$ -
Share-based compensation	-	-	-	-	-	-
Proceeds from sale of Series A preferred stock	1	1,000	-	-	-	-
Redemption of Series A Preferred stock	(1)	(1,000)	-	-	-	-
Net income (loss)	-	-	-	-	-	-
Balance, March 31, 2023	-	\$ -	-	\$ -	-	\$ -
Share-based compensation	-	-	-	-	-	-
Commitment shares - note financing	-	-	-	-	-	-
Issuance of warrants - note financing	-	-	-	-	-	-
Net income (loss)	-	-	-	-	-	-
Balance, June 30, 2023	-	\$ -	-	\$ -	-	\$ -
Share-based compensation	-	-	-	-	-	-
Issuance of common shares	-	-	-	-	-	-
Issuance of warrants - note financing	-	-	-	-	-	-
Net income (loss)	-	-	-	-	-	-
Balance, Sept 30, 2023	-	\$ -	-	\$ -	-	\$ -
Balance, December 31, 2023	-	\$ -	-	\$ -	-	\$ -
Share-based compensation	-	-	-	-	-	-
Issuance of common shares related to restricted stock units	-	-	-	-	-	-
Issuance of common shares - equity line of credit	-	-	-	-	-	-
Issuance of commitment shares - note financing	-	-	-	-	-	-
Cashless exercise of pre-funded warrants	-	-	-	-	-	-
Issuance of common stock and warrants related to public offering, net issuance costs	-	-	-	-	-	-
Public offering and line of credit issuance costs	-	-	-	-	-	-
issuance of common shares - debt for equity exchange	-	-	-	-	-	-
Round up conversion related to reverse stock split	-	-	-	-	-	-
Net income (loss)	-	-	-	-	-	-
Balance, March 31, 2024	-	\$ -	-	\$ -	-	\$ -
Share-based compensation	-	-	-	-	-	-
Issuance of common shares related to restricted stock units	-	-	-	-	-	-
Issuance of common shares - equity line of credit	-	-	-	-	-	-
Net income (loss)	-	-	-	-	-	-
Balance, June 30, 2024	-	\$ -	-	\$ -	-	\$ -
Share-based compensation	-	-	-	-	-	-
Issuance of common shares related to restricted stock units	-	-	-	-	-	-
Issuance of common shares related to RegA+	-	-	-	-	-	-
Issuance of B-Series preferred stock - debt for equity exchange	-	-	930	-	-	-
B-Series preferred stock issuance costs	-	-	-	-	-	-
C-Series preferred stock issuance costs	-	-	-	-	-	-
Issuance of C-Series preferred stock	-	-	-	-	1,000	-
Common stock issuance costs	-	-	-	-	-	-
Issuance of C-Series warrants	-	-	-	-	-	-
Issuance of RegA+ warrants	-	-	-	-	-	-
Capitalization of B-Series preferred stock dividends	-	-	-	-	-	-
Net income (loss)	-	-	-	-	-	-
Balance, September 30, 2024	-	\$ -	930	\$ -	1,000	\$ -

(continued)

**Aclarion, Inc.**  
**Condensed Statements of Changes in Stockholders' Equity (Deficit)**  
**(Unaudited)**  
**(continued)**

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total
	Shares	Value			
Balance, December 31, 2022	491,345	\$ 5	\$ 41,596,106	\$ (39,370,153)	\$ 2,225,958
Share-based compensation	-	-	82,531	-	82,531
Proceeds from sale of Series A preferred stock	-	-	-	-	1,000
Redemption of Series A Preferred stock	-	-	-	-	(1,000)
Net income (loss)	-	-	-	(1,183,460)	(1,183,460)
Balance, March 31, 2023	491,345	\$ 5	\$ 41,678,637	\$ (40,553,613)	1,125,029
Share-based compensation	-	-	136,631	-	136,631
Commitment shares - note financing	21,210	-	175,619	-	175,619
Issuance of warrants - note financing	-	-	37,500	-	37,500

Net income (loss)	—	—	—	(1,464,557)	(1,464,557)
Balance, June 30, 2023	<u>512,555</u>	<u>\$ 5</u>	<u>\$ 42,028,387</u>	<u>\$ (42,018,169)</u>	<u>10,223</u>
Share-based compensation	—	—	137,307	—	137,307
Issuance of common shares	1,852	—	—	—	—
Issuance of warrants - note financing	—	—	22,500	—	22,500
Net income (loss)	—	—	—	(998,010)	(998,010)
Balance, Sept 30, 2023	<u>514,407</u>	<u>\$ 5</u>	<u>\$ 42,188,194</u>	<u>\$ (44,281,526)</u>	<u>\$ (827,980)</u>
Balance, December 31, 2023	<u>825,459</u>	<u>\$ 8</u>	<u>\$ 43,553,524</u>	<u>\$ (44,281,526)</u>	<u>\$ (727,995)</u>
Share-based compensation	—	—	85,827	—	85,827
Issuance of common shares related to restricted stock units	4,261	—	—	—	—
Issuance of common shares - equity line of credit	452,343	5	1,449,527	—	1,449,532
Issuance of commitment shares - note financing	9,312	—	33,297	—	33,297
Cashless exercise of pre-funded warrants	2,915	—	—	—	—
Issuance of common stock and warrants related to public offering, net issuance costs	5,175,000	52	2,691,339	—	2,691,391
Public offering and line of credit issuance costs	—	—	(399,106)	—	(399,106)
Issuance of common shares - debt for equity exchange	644,142	6	1,771,600	—	1,771,606
Round up conversion related to reverse stock split	40,068	—	—	—	—
Net income (loss)	—	—	—	(2,399,102)	(2,399,102)
Balance, March 31, 2024	<u>7,153,500</u>	<u>\$ 72</u>	<u>\$ 49,186,006</u>	<u>\$ (46,680,628)</u>	<u>2,505,449</u>
Share-based compensation	—	—	70,305	—	70,305
Issuance of common shares related to restricted stock units	7,171	—	—	—	—
Issuance of common shares - equity line of credit	1,050,000	10	304,490	—	304,500
Net income (loss)	—	—	—	(1,238,077)	(1,238,077)
Balance, June 30, 2024	<u>8,210,671</u>	<u>\$ 82</u>	<u>\$ 49,560,800</u>	<u>\$ (47,918,705)</u>	<u>1,642,177</u>
Share-based compensation	—	—	74,706	—	74,706
Issuance of common shares related to restricted stock units	9,057	—	—	—	—
Issuance of common shares related to RegA+	1,825,000	18	451,953	—	451,971
Issuance of B-Series Preferred Stock - debt for equity exchange	—	—	930,052	—	930,052
B-Series Preferred Stock issuance costs	—	—	(35,000)	—	(35,000)
C-Series Preferred Stock issuance costs	—	—	(55,000)	—	(55,000)
Issuance of C-Series preferred stock	—	—	602,900	—	602,900
Common stock issuance costs	—	—	(210,228)	—	(210,228)
Issuance of C-Series warrants	—	—	397,100	—	397,100
Issuance of RegA+ warrants	—	—	77,283	—	77,283
Capitalization of B-Series preferred stock dividends	—	—	(12,142)	12,142	—
Net income (loss)	—	—	—	(1,366,176)	(1,366,176)
Balance, September 30, 2024	<u>10,044,728</u>	<u>\$ 100</u>	<u>\$ 51,782,424</u>	<u>\$ (49,272,739)</u>	<u>2,509,785</u>

See accompanying notes to condensed financial statements.

**Aclarion, Inc.**  
**Condensed Statements of Cash Flows**  
**(unaudited)**

	<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities</b>		
Net income (loss)	\$ (5,003,355)	\$ (3,646,027)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	140,893	120,886
Share-based compensation	230,837	356,469
Loss on exchange of debt	1,073,317	—
Loss on extinguishment of debt	111,928	—
Amortization of deferred issuance costs	502,516	156,159
Change in fair value related to warrants and derivative	(330,632)	(318,452)
Non-cash interest related to bridge funding	58,002	48,954
Change in assets and liabilities		
Accounts receivable	(2,351)	(9,409)
Prepays and other current assets	(329,306)	34,182
Accounts payable	(443,068)	207,771
Accrued and other liabilities	(326,399)	103,695
Note payable, net of discount	(31,129)	32,607
<b>Net cash (used in) operations</b>	<u>(4,348,748)</u>	<u>(2,913,165)</u>
<b>Investing activities</b>		
Intangible assets - Patents	(261,220)	(85,603)
<b>Net cash (used in) investing activities</b>	<u>(261,220)</u>	<u>(85,603)</u>
<b>Financing activities</b>		

Issuance of common stock and warrants related to public offering, net deductions	2,691,391	—
Proceeds from equity line	1,754,032	—
Proceeds from common stock and warrant RegA+ offering	529,254	—
Proceeds from sales of C-Series preferred stock and warrants	1,000,000	—
Repayment of promissory notes	(300,973)	—
Common stock cash issuance costs	(714,332)	—
Preferred stock cash issuance costs	(35,000)	—
Bridge fund cash issuance costs	(23,375)	(312,588)
Proceeds from bridge funding	—	2,000,000
Proceeds from sale of Series A preferred stock	—	1,000
Redemption of Series A Preferred stock	—	(1,000)
<b>Net cash provided by financing activities</b>	<b>4,900,996</b>	<b>1,687,412</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>291,028</b>	<b>(1,311,356)</b>
Cash, cash equivalents and restricted cash, beginning of period	1,031,069	1,482,806
Cash, cash equivalents and restricted cash, end of period	<u>\$ 1,322,098</u>	<u>\$ 171,450</u>
<b>Non-cash activities</b>		
Dividends accrued on preferred shares	12,142	—
Exchange of indebtedness for preferred shares	930,052	—
Issuance of common shares in exchange for debt	1,771,606	—
Issuance of bridge fund commitment shares	33,297	—
Accrued issuance costs related to preferred stock	55,000	—
Accrued issuance costs related to common stock	94,733	—
Designation of prepaid expenses to common stock issuance costs	919,439	—
Issuance of common shares related to restricted stock units	216,397	—
Fair value of warrants and derivative related to bridge funding	—	896,798
Accrued debt issuance costs related to bridge funding	—	16,225
Issuance of warrants related to bridge funding	—	60,000
Issuance of commitment shares related to bridge funding	—	175,619
Original issue discount (15%) related to bridge funding	—	300,000

See accompanying notes to condensed financial statements.

**Aclarion, Inc.**  
**Notes to Condensed Financial Statements**  
**(unaudited)**

**NOTE 1. THE COMPANY AND BASIS OF PRESENTATION**

**The Company**

Aclarion, Inc., formerly Nocimed, Inc., (the “Company” or “Aclarion”) is a healthcare technology company that leverages magnetic resonance spectroscopy (“MRS”), and a proprietary biomarker to optimize clinical treatments. The Company was formed in February 2015, is incorporated in Delaware, and has its principal place of business in Broomfield, Colorado.

**Basis of Presentation**

The accompanying condensed financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) and pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial information. Accordingly, they do not include all of the information required by U.S. GAAP for complete financial statements. The interim condensed financial statements reflect all adjustments that are of a normal recurring nature and that are considered necessary for a fair representation of the results for the periods presented and should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2023, which include a complete set of footnote disclosures, including our significant accounting policies. The December 31, 2023, condensed balance sheet was derived from the December 31, 2023, audited financial statements. They should be read in conjunction with the financial statements and notes thereto included in our Annual report on Form 10-K, filed with the SEC on March 28, 2024. The results for interim periods are not necessarily indicative of the results that may be expected for a full fiscal year or for any other future period.

**Reclassifications**

Certain financing activities stated in the Condensed Statements of Cash Flows in the Quarterly Report on Form 10-Q reporting the six-month period ending June 30, 2024, have been reclassified to conform to the current period’s presentation.

In the Quarterly Report on Form 10-Q for the six-month period ending June 30, 2024, the Condensed Statements of Cash Flows included separate line items to report cash issuance costs related to our common stock fund raising activities, the equity line (\$262,744) and public offering (\$256,094). In this Quarterly Report on Form 10-Q for the nine-month period ending September 30, 2024, the Condensed Statements of Cash Flows include one line item to report cumulative cash issuance costs for all common stock financing activities in the period.

This reclassification had no effect on the net income or net assets as previously reported.

**Risks and Uncertainties**

The Company is subject to various risks and uncertainties frequently encountered by companies in the early stages of development. Such risks and uncertainties include, but are not limited to, its limited operating history, competition from other companies, limited access to additional funds, dependence on key personnel, and management of potential rapid growth. To address these risks, the Company must, among other things, develop its customer base; implement and successfully execute its business and marketing strategy; develop follow-on products; provide superior customer service; and attract, retain, and motivate qualified personnel. There can be no guarantee that the Company will be successful in addressing these or other such risks.

## 2024 Reverse Stock Split

In March 2023 the Company's stockholders approved a reverse stock split proposal at a ratio in the range of one-for-five to one-for-fifty, with the final ratio to be determined by the Company's board in its discretion without further approval from the Company's stockholders. In January 2024, the Company's board subsequently approved the final reverse stock split ratio of one-for-sixteen (the "2024 Stock Split"), which resulted in a reduction in the number of outstanding shares of common stock, warrants, stock options and restricted share units and a proportionate increase in the value of each share or strike price of the warrants and stock options. The common stock began trading on a reverse split-adjusted basis on the NASDAQ on January 4, 2024.

As a result of the 2024 Stock Split, unless described otherwise, all references to common stock, share data, per share data and related information contained in these financial statements have been retrospectively adjusted to reflect the effect of the stock splits for all periods presented. In addition, any fractional shares that would otherwise be issued as a result of the stock splits were rounded up to the nearest whole share. Further, the number of shares issuable and exercise prices of stock options and warrants have been retrospectively adjusted in these financial statements for all periods presented to reflect the 2024 Stock Split.

The following tables present selected share information reflecting on a retroactive basis the reverse stock splits as of and for the year ended December 31, 2023:

	<b>December 31, 2023</b>
Common shares issued and outstanding - pre-2024 split, 13,206,229 shares	\$ 132
Common shares issued and outstanding - post-2024 split, 825,459 shares	\$ 8
Additional paid-in capital - pre-2024 split	\$ 43,553,399
Additional paid-in capital - post-2024 split	\$ 43,553,523
	<b>Year ended December 31, 2023</b>
Weighted average shares outstanding, basic and diluted - pre-2024 split	8,908,934
Weighted average shares outstanding, basic and diluted - post-2024 split	556,808
Basic and diluted net loss per shares attributable to common stockholders - pre-2024 split	\$ (0.55)
Basic and diluted net loss per shares attributable to common stockholders - post-2024 split	\$ (8.82)

### Nasdaq \$1.00 Minimum Bid Price Notice

On April 8, 2024, we received a written notice (the "Bid Price Notice") from the Listing Qualifications Department of The Nasdaq Stock Market ("Nasdaq") indicating that the Company was not in compliance with the \$1.00 minimum bid price requirement set forth in Nasdaq Listing Rule 5550(a)(2) for continued listing on The Nasdaq Capital Market (the "Bid Price Requirement").

The Bid Price Notice did not result in the immediate delisting of the Company's common stock from The Nasdaq Capital Market.

The Nasdaq Listing Rules require listed securities to maintain a minimum bid price of \$1.00 per share and, based upon the closing bid price of the Company's common stock for the 30 consecutive business days for the period ending April 5, 2024, the Company no longer met this requirement.

The Notice indicated that the Company will be provided 180 calendar days (or until October 7, 2024) in which to regain compliance. We did not regain compliance with Rule 5550(a)(2) prior to the expiration of the initial 180 calendar day period on October 7, 2024. On October 8, 2024, we received from the Nasdaq staff (the "Staff") written notification that our securities are subject to delisting from the Nasdaq Capital Market. We had an appeal hearing on October 10, 2024 before a Nasdaq hearings panel (the "Panel") appeal the delisting notice from the Staff. While the appeal process is pending, the suspension of trading of our common stock will be stayed. Our common stock will continue to trade on Nasdaq until the hearing process concludes and the Panel issues a written decision. The Panel has granted the Company an extension until January 31, 2025 to demonstrate compliance with the Bid Price Requirement.

At the Company's special stockholders' meeting on September 23, 2024, the Company's stockholders approved a proposal to grant discretionary authority to our board of directors to (i) amend our certificate of incorporation to combine outstanding shares of our common stock into a lesser number of outstanding shares, or a "reverse stock split," at a specific ratio within a range of one-for-five (1-for-5) to a maximum of a one-for-fifty (1-for-50) split, with the exact ratio to be determined by our board of directors in its sole discretion; and (ii) effect the reverse stock split, if at all, within one year of the date the proposal was approved by stockholders. The Company intends to implement a reverse stock split in the near future in order to assist with the Company's compliance with Nasdaq's Bid Price Requirement.

### Nasdaq Stockholder Equity Notice

On August 22, 2024, the Company received a letter from Nasdaq indicating that that the Company was not in compliance with the requirement to have at least \$2,500,000 in stockholders' equity (the "Stockholders' Equity Requirement"). In its quarterly report on Form 10-Q for the period ended June 30, 2024, the Company reported stockholders' equity of \$1,642,177, and, as a result, did not satisfy Listing Rule 5550(b)(1).

Accordingly, the Staff determined to delist our common stock from Nasdaq. Nasdaq's letter provided the Company until August 29, 2024 to request an appeal of this determination. The Company requested a hearing before the Panel to appeal the delisting notice from the Staff. The hearing request stays any suspension or delisting action pending the conclusion of the hearing process and the expiration of any additional extension period granted by the Panel following the hearing.

We had an appeal hearing on October 10, 2024 before the Panel to appeal the delisting notice from the Staff. The Panel granted the Company an extension until January 31, 2025 to demonstrate compliance with the Stockholders' Equity Requirement. While the appeal process is pending, the

suspension of trading of the Company's common stock will be stayed. Our common stock will continue to trade on Nasdaq until the hearing process concludes and the Panel issues its final written determination.

The Company intends to take all reasonable measures available to regain compliance under the Nasdaq Listing Rules and remain listed on Nasdaq. The Company is currently evaluating its available options to resolve the deficiency and regain compliance with the Nasdaq minimum stockholders' equity requirement.

## **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **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 estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

The financial statements include some amounts that are based on management's best estimates and judgments. The most significant estimates relate to depreciation, amortization, and valuation of warrants, warrant and derivative liabilities, and options to purchase shares of the Company's common stock. These estimates may be adjusted as more current information becomes available, and any adjustment could be significant.

### **Valuation of Derivative Instruments**

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 815-40, *Derivatives and Hedging: Contracts on an Entity's Own Equity*, addresses whether an equity-linked contract qualifies as equity in the entity's financial statements. Agreements where an entity has insufficient authorized and unissued shares to settle the contract generally are accounted for as a liability and marked to fair value through earnings each reporting period. The Company evaluates its financial instruments to determine if such instruments are liabilities or contain features that qualify as embedded derivatives. For financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then revalued at each reporting date, with changes in the fair value reported as charges or credits to income.

### **Fair Value of Financial Instruments**

ASC 820, Fair Value Measurements, provides guidance on the development and disclosure of fair value measurements. Under this accounting guidance, fair value is defined as an exit price, representing the amount 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. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability.

The accounting guidance classifies fair value measurements in one of the following three categories for disclosure purposes:

*Level 1* - Unadjusted quoted prices in active markets for identical instruments that are accessible by the Company on the measurement date.

*Level 2* - Quoted prices in markets that are not active or inputs which are either directly or indirectly observable.

*Level 3* - Unobservable inputs for the instrument requiring the development of assumptions by the Company.

The Company analyzes all financial instruments with features of both liabilities and equity under the Financial Accounting Standard Board's ("FASB") accounting standard for such instruments. Under this standard, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The carrying values of the Company's financial instruments including cash equivalents, restricted cash, accounts receivable, and accounts payable are approximately equal to their respective fair values due to the relatively short-term nature of these instruments. The Company's warrant liabilities and derivative liabilities are estimated using level 3 inputs (see Note 3).

### **Derivative Financial Instruments**

The Company has derivative financial instruments that are not hedges and do not qualify for hedge accounting. Changes in the fair value of these instruments are recorded in other income (expenses), on a net basis in the Consolidated Statements of Operations.

### **Cash and Cash Equivalents**

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The Company had no cash equivalents at September 30, 2024 and December 31, 2023. The Company maintains cash deposits at several financial institutions, which are insured by the FDIC up to \$250,000. The Company's cash balance may at times exceed these limits. On September 30, 2024, and December 31, 2023, the Company had \$973,093 and \$761,800, respectively, in excess of federally insured limits. The Company continually monitors its positions with, and the credit quality of, the financial institutions with which it invests. The Company maintains no international bank accounts. As of September 30, 2024, \$10,000 of the Company's cash was restricted as collateral related to the credit card program offered by our bank.

### **Accounts Receivable, Less Allowance for Doubtful Accounts**

The Company estimates an allowance for doubtful accounts based upon an evaluation of the current status of receivables, historical experience, and other factors as necessary. It is reasonably possible that the Company's estimate of the allowance for doubtful accounts will change. The allowance for doubtful accounts was \$0 on September 30, 2024, and December 31, 2023.

### **Revenue Recognition**

Revenues are recognized when a contract with a customer exists, and at that point in time when we have delivered a Nociscan report to our customer.



Revenue is recognized in the amount that reflects the negotiated consideration expected to be received in exchange for those reports. Following the delivery of the report, the company has no ongoing obligations or services to provide to the customer. Customers pay no other upfront, licensing, or other fees. To date, our reports are not reimbursable under any third-party payment arrangements. The Company invoices its customers based on the billing schedules in its sales arrangements. Payment terms range generally from 30 to 90 days from the date of invoice.

### Liquidity, Capital Resources and Going Concern

The Company believes that the net proceeds from the common shares offered at-the-market in August 2024 and the issuance of C-Series preferred stock in September 2024 will be sufficient to fund current operating plans into December 2024. The Company has based these estimates, however, on assumptions that may prove to be wrong, and could spend available financial resources much faster than we currently expect. The Company will need to raise additional funds to continue funding our technology development. Management plans to secure such additional funding.

As a result of the Company's recurring losses from operations and the need for additional financing to fund its operating and capital requirements, there is uncertainty regarding the Company's ability to maintain liquidity sufficient to operate its business effectively, which raises substantial doubt as to the Company's ability to continue as a going concern.

### Share-Based Compensation

The Company accounts for stock-based awards in accordance with provisions of ASC Topic 718, Compensation—Stock Compensation, under which the Company recognizes the grant-date fair value of stock-based awards issued to employees and nonemployee board members as compensation expense on a straight-line basis over the vesting period of the award, while awards containing a performance condition are recognized as expense when the achievement of the performance criteria is achieved. The Company uses the Black-Scholes-Merton option pricing model to determine the grant-date fair value of stock options. The Company records expense for forfeitures in the periods they occur.

The exercise or strike price of each option is not less than 100% of the fair market value of the Common Stock subject to the option on the date the option is granted.

The Company issues restricted stock unit awards to non-employee consultants who are providing various services. The awards are valued at the market price on the date of the grant. The awards vest over the contract life and based on achievement of targeted performance milestones.

On occasion, the Company grants common stock to compensate vendors for services rendered.

### Deferred Financing Costs

The Company capitalizes certain legal, accounting, and other fees and costs that are directly attributable to in-process equity financings as deferred offering costs until such financings are completed. Upon the completion of an equity financing, these costs are recorded as a reduction of additional paid-in capital of the related offering. Approximately \$543,500 of issuance costs related to the public offering in February 2024 were reclassified to additional paid-in capital (\$310,100 deducted from proceeds, and \$239,400 paid in cash). During the nine months ended September 30, 2024, approximately \$375,939 of costs related to all other common stock issuances, and \$ 90,000 of costs related to preferred stock issuances were reclassified to additional paid-in capital.

### Emerging Growth Company Status

The Company is an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). Under the JOBS Act, emerging growth companies can delay the adoption of new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. The Company has elected to use this extended transition period to comply with certain new or revised accounting standards that have different effective dates for public and private companies.

### NOTE 3. FAIR VALUE MEASUREMENTS

In accordance with ASC 820 (Fair Value Measurements and Disclosures), the Company uses various inputs to measure the outstanding warrants, certain embedded redemption features associated with the senior note to Aclarion, Inc. on a recurring basis to determine the fair value of the liability.

	Fair value measured as of September 30, 2024			
	Fair value on September 30, 2024	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Warrant liability	\$ 16,270	\$ —	\$ —	\$ 16,270
Derivative Liability	—	—	—	—
Total Fair value	\$ 16,270	\$ —	\$ —	\$ 16,270

There were no transfers between Level 1, 2, and 3 during the nine months ended September 30, 2024.

The following table presents changes in Level 3 liabilities measures at fair value for the nine months ended September 30, 2024. Both observable and unobservable inputs were used to determine the fair value positions that the Company has classified within the Level 3 category.

	Warrant Liability	Derivative Liability	Total
Balance – December 31, 2023	\$ 289,165	\$ 121,326	\$ 410,491
Exchange and Payoff of Notes Payable	—	(63,589)	(63,589)
Change in fair value	(272,895)	(57,737)	(330,632)
Balance – September 30, 2024	\$ 16,270	\$ —	\$ 16,270

The fair value of the embedded derivative liabilities associated with the Senior Notes Payable was estimated using a probability weighted discounted cash flow model to measure the fair value. This involves significant Level 3 inputs and assumptions including an (i) estimated probability and timing of certain financing events and event of default, and (ii) the Company's risk-adjusted discount rate.

The fair value of the warrants to purchase shares of common stock was estimated using a Monte Carlo simulation using the following assumptions.

	As of Dec 31, 2023 Warrant Liability	As of Sept 30, 2024 Warrant Liability
Strike Price	\$ 4.32	\$ 0.29
Contractual term (years)	5.0	5.0
Volatility (annual)	80.0%	120.0%
Risk-free rate	3.89%	3.58-4.44%
Floor Financing price	\$ 2.24	\$ 0.14

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#### NOTE 4. RECENT ACCOUNTING PRONOUNCEMENTS

To date, there have been no recent accounting pronouncements not yet effective that have significance, or potential significance, to our Consolidated Financial Statements.

#### NOTE 5. REVENUE

##### Contract Balances

The timing of revenue recognition, billings, and cash collections may result in trade, unbilled receivables, and deferred revenues on the balance sheets. At times, revenue recognition may occur before the billing, resulting in an unbilled receivable, which would represent a contract asset. The contract asset would be a component of accounts receivable and other assets for the current and non-current portions, respectively. In the event the Company receives advances or deposits from customers before revenue is recognized, this would result in a contract liability.

#### NOTE 6. SUPPLEMENTAL FINANCIAL INFORMATION

##### Balance Sheets

##### Prepays and other current assets:

	September 30, 2024	December 31, 2023
Short term deposits	\$ 50,000	\$ 50,000
Deferred offering costs	94,682	100,588
Prepaid insurance D&O	169,011	34,769
Prepaid insurance, other	–	17,884
Prepaid clinical costs	165,417	–
Prepaid exchange fees	30,883	–
Prepaid other	48,279	41,635
Other receivables	–	154
	<u>\$ 558,272</u>	<u>\$ 245,030</u>

##### Accounts payable

	September 30, 2024	December 31, 2023
Accounts payable	\$ 331,793	\$ 758,821
Credit cards payable	(28)	1,714
	<u>\$ 331,765</u>	<u>\$ 760,535</u>

##### Accrued and other liabilities:

	September 30, 2024	December 31, 2023
Accrued payroll	\$ –	\$ 162,887
Accrued bonus	126,425	262,580
D&O financing	32,052	–
Accrued audit and legal expenses	81,490	89,082
Accrued interest	–	98,685
Accrued board compensation	46,250	92,500
Other accrued liabilities	44,015	151,988
	<u>\$ 330,232</u>	<u>\$ 857,722</u>

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#### NOTE 7. LEASES

The Company had no office lease for the quarter ended September 30, 2024, and the year ended December 31, 2023.

#### NOTE 8. INTANGIBLE ASSETS

The Company's intangible assets are as follows:

	September 30, 2024	December 31, 2023
Patents and licenses	\$ 2,528,470	\$ 2,267,251
Other	5,017	5,017
	<u>2,533,487</u>	<u>2,272,268</u>
Less: accumulated amortization	(1,243,648)	(1,103,645)
Intangible assets, net	<u>\$ 1,289,839</u>	<u>\$ 1,168,623</u>

Patents and licenses costs are accounted for as intangible assets and amortized over the life of the patent or license agreement and charged to research and development.

Amortization expense related to purchased intangible assets was \$ 49,732 and \$40,797 for the three months ended September 30, 2024, and 2023, respectively. Amortization expense related to purchased intangible assets was \$140,003 and \$119,602 for the nine months ended September 30, 2024, and 2023, respectively.

Patents and trademarks are reviewed at least annually for impairment. No impairment was recorded through September 30, 2024, and December 31, 2023, respectively.

Future amortization of intangible assets is as follows:

2024	\$ 52,214
2025	208,857
2026	208,857
2027	208,857
2028 and beyond	611,054
Total	<u>\$ 1,289,839</u>

## NOTE 9. SHORT TERM NOTES AND CONVERTIBLE DEBT

### Convertible Notes:

As of December 31, 2023, there were no Convertible Notes payable and outstanding. There was no convertible note activity in the three months ended September 30, 2024.

### Senior Notes Payable

In May 2023, the Company issued \$ 1,437,500 unsecured senior notes with a maturity date of May 16, 2024 (the "May 2023 Notes"), for cash proceeds of \$1,250,000. The May 2023 Notes contained an original issue discount of 15.0% and accrued interest at an annual rate of 8.0%.

In September 2023, as agreed to during the issuance of the May 2023 Notes, the Company exercised their right to an additional financing, issuing \$862,500 unsecured senior notes that mature on September 1, 2024 (the "September 2023 Notes") for cash proceeds of \$ 750,000. The September 2023 Notes contained an original issue discount of 15.0% and accrued interest at an annual rate of 8.0%.

In November 2023, the Company issued \$ 294,118 unsecured senior notes with a maturity date of April 19, 2024 (the "November 2023 Notes"), for cash proceeds of \$250,000. The November 2023 Notes contained an original issue discount of 15.0% and accrue interest at an annual rate of 8.0%.

The Company incurred issuance costs, recorded as deferred financing costs, of \$ 361,675 relating to due diligence and legal costs associated with the issuance of the May 2023 Notes, the September 2023 Notes, and the November 2023 Notes (the "Senior Notes").

The Company evaluated the embedded redemption and contingent interest features in Senior Notes to determine if such features were required to be bifurcated as an embedded derivative liability. In accordance with ASC 815-40, Derivatives and Hedging Activities, the embedded redemption features and contingent interest feature were accounted for as derivative liabilities at the date of issuance and shall be adjusted to fair value at each reporting date. The Company fair valued such derivative liabilities and recorded a debt discount at issuance of the Senior Notes of \$320,561.

The Company issued warrants to purchase 77,010 and 46,556 shares of common stock (1,232,156 and 744,890 shares before giving effect to the 2024 Stock Split) to the holders of the May 2023 Notes and November 2023 Notes (collectively the "Senior Notes Warrants") with an exercise price of \$10.02 and \$4.58 per share (\$0.6262 and \$0.2856 pre-2024 split), respectively. The Company accounted for the warrants in accordance with the guidance contained in ASC 815 "Derivatives and Hedging" whereby under that provision these warrants did not meet the criteria for equity treatment and were recorded as a liability. As such, these warrants are recorded at fair value as of each reporting date with the change in fair value reported within other income in the accompanying consolidated statements of operations as "Change in fair value of warrant liability" until the warrants are exercised, expired or other facts and circumstances lead the warrant liability to be reclassified to stockholders' equity. The fair value of the Senior Notes Warrants at issuance was \$736,249 and was recorded as a debt discount. The Company incurred issuance costs of \$72,862 relating to the Senior Notes Warrants which was recorded as a day 1 expense due to the liability classification of such warrants.

In connection with the issuance of the May 2023 Notes and November 2023 Notes, the Company paid a commitment fee in the form of 21,210 and 9,311 shares (339,360 and 148,978 shares before giving effect to the 2024 Stock Split) of unregistered common stock to the holders, respectively. The aggregate commitment fees had a fair value at issuance of \$208,916 and were recorded as a deferred financing cost.

The resulting debt discounts from the derivative liabilities, warrant liabilities and deferred financing costs were presented as a direct deduction from the carrying amount of that debt liability and amortized to interest expense using the effective interest rate method. For the three months ended September 30, 2024, the Company recognized \$60,226 in amortization of debt discounts and deferred financing costs which is recorded in interest expense.

Between January 22 and January 29, 2024, the Company entered into a series of exchange agreements (the "Exchange Agreements") with the accredited investors to exchange principal and accrued interest on the May 2023 Notes for shares of common stock. Pursuant to the Exchange Agreements, the Company issued an aggregate of 644,142 post-split shares of common stock in exchange for \$ 1,519,779 principal and accrued interest on the May 2023 Notes. Following these exchanges, the remaining outstanding balance of principal and interest on the Senior Notes was \$1,145,037. This transaction accelerated the recognition of the related note discounts and resulted in a \$1,066,732 charge.

On March 6, 2024, the Company paid \$ 300,973 of principal and accrued interest on the November 2023 Notes. Following this payment, the remaining outstanding balance of principal and interest on Senior Notes was \$898,380. This transaction accelerated the recognition of the related note discounts and resulted in a \$111,928 charge.

On August 14, 2024, the Company entered into an exchange agreement (the "Exchange Agreement") with the accredited investors to exchange \$930,052 of principal and accrued interest on the September 2023 Notes for 930 shares of newly issued Series B convertible preferred stock ("Series B Preferred Stock") at a purchase price of \$1,000 per share. The Series B Preferred Stock is convertible into Common Stock at an initial conversion price ("Conversion Price") of \$0.234 per share. Following these exchanges, the remaining outstanding balance of principal and interest on the Senior Notes was \$0. This transaction accelerated the recognition of the related note discounts and resulted in a \$ 6,585 charge.

The following table reconciles the aggregate amount for the Senior Notes as well as the unamortized deferred financing costs and debt discounts relating to the derivative liabilities and warrant liabilities.

	September 30, 2024	December 31, 2023
Note Payable	\$ —	\$ 2,594,118
Less: Unamortized Discounts and Deferred Financing Costs		
Warrants	—	(557,582)
Derivative	—	(235,628)
Deferred financing costs	—	(675,184)
	—	(1,468,394)
	<u>\$ —</u>	<u>\$ 1,125,724</u>

## NOTE 10. COMMITMENTS AND CONTINGENCIES

### Royalty Agreement

The Company has an exclusive license agreement with the Regents of the University of California to make, use, sell and otherwise distribute products under certain of the Regents of the University of California's patents anywhere in the world. The Company is obligated to pay a minimum annual royalty of \$50,000, and an earned royalty of 4% of net sales. The minimum annual royalty will be applied against the earned royalty due for the calendar year in which the minimum payment was made. The license agreements expire upon expiration of the patents and may be terminated earlier if the Company so elects. The U.S. licensed patents that are currently issued expire between 2026 and 2029, without considering any possible patent term adjustment or extensions and assuming payment of all appropriate maintenance, renewal, annuity, or other governmental fees. The Company recorded royalty costs of \$12,500 for the three months ended September 30, 2024, and 2023, respectively, and \$ 37,500 for the nine months ended September 30, 2024, and 2023, respectively, as Cost of Revenue.

### Litigation

To date, the Company has not been involved in legal proceedings arising in the ordinary course of its business. If any legal proceeding occurs, the Company will record a provision for a loss when it believes that it is both probable that a loss has been incurred and the amount can be reasonably estimated, although litigation is inherently unpredictable and is subject to significant uncertainties, some of which are beyond the Company's control. Should any of these estimates and assumptions change or prove to have been incorrect, the Company could incur significant charges related to legal matters that could have a material impact on its results of operations, financial position and cash flows.

## NOTE 11. STOCKHOLDERS' EQUITY

The Company filed an Amended and Restated Certificate of Incorporation on April 21, 2022, as part of the Company's initial public offering. The Company was authorized to issue two classes of stock to be designated, respectively, "common stock" and "preferred stock." The total number of shares which the Company was authorized to issue was two hundred twenty million (220,000,000) shares. Two hundred million (200,000,000) shares were authorized to be common stock, having a par value per share of \$0.00001. Twenty million (20,000,000) shares were authorized to be preferred stock, having a par value per share of \$0.00001. As of September 30, 2024, the Company had 10,044,728 common shares outstanding.

### Reverse Stock Split

The Company held a special meeting of stockholders on March 24, 2023. At the special meeting, our stockholders approved one proposal, which was to grant discretionary authority to our board of directors to (i) amend our certificate of incorporation to combine outstanding shares of our common stock into a lesser number of outstanding shares, or a "reverse stock split," at a specific ratio within a range of one-for-five (1-for-5) to a maximum of a one-for-fifty (1-for-50) split, with the exact ratio to be determined by our board of directors in its sole discretion; and (ii) effect the reverse stock split, if at all, within one year of the date the proposal was approved by stockholders.

In January 2024, the Company's board subsequently approved the final reverse stock split ratio of one-for-sixteen (the "2024 Stock Split"), which resulted in a reduction in the number of outstanding shares of common stock, warrants, stock options and restricted share units and a proportionate increase in the value of each share or strike price of the warrants and stock options. The common stock began trading on a reverse split-adjusted basis on the NASDAQ on January 4, 2024.

### Public Offering

On February 27, 2024, the Company completed a public offering of 5,175,000 units ("Units") at a price of \$0.58 per Unit, for gross proceeds of approximately \$3.0 million, before deducting offering expenses. Each Unit was comprised of (i) one share of common stock or, in lieu of common stock, one prefunded warrant to purchase a share of common stock, and (ii) two common warrants, each common warrant to purchase a share of common stock. The prefunded warrants were immediately exercisable at a price of \$0.00001 per share of common stock and only expire when such prefunded warrants are fully exercised. The common warrants were immediately exercisable at a price of \$0.58 per share of common stock and will expire five years from the date of issuance.

## White Lion Equity Line Agreement

On October 9, 2023, the Company entered into an equity line common stock purchase agreement (the "Equity Line Purchase Agreement") and a related registration rights agreement with White Lion Capital, LLC ("White Lion"). Pursuant to the Equity Line Purchase Agreement, the Company has the right, but not the obligation to require White Lion to purchase, from time to time, up to \$10,000,000 in aggregate gross purchase price of newly issued shares of the Company's common stock, subject to certain limitations and conditions set forth in the Equity Line Purchase Agreement.

Pursuant to the Equity Line Purchase Agreement, the Company issued to White Lion 1,050,000 newly issued common shares for proceeds of \$ 304,500 on April 26, 2024. Through September 30, 2024, the Company has issued 1,800,000 shares to White Lion for total proceeds of \$ 3,216,981.

### Series A Preferred Stock

In February 2023 the Company sold one (1) share of the Company's newly designated Series A preferred stock to Jeffrey Thramann, the Company's Executive Chairman, for a purchase price of \$1,000. The share of Series A preferred stock had proportional voting rights that were limited to the proposal to approve a reverse stock split of the Company's common stock. Following the March 24, 2023, special meeting, the Company redeemed the one outstanding share of Series A preferred stock on March 28, 2023, in accordance with its terms. The redemption price was \$1,000. No Series A preferred stock remains outstanding.

### Series B Preferred Stock

On August 14, 2024, the Company entered into an exchange agreement (the "Exchange Agreement") with accredited investors to exchange \$ 930,052 of principal and accrued interest on the September 2023 Notes for 930 shares of newly issued Series B convertible preferred stock ("Series B Preferred Stock") at a purchase price of \$1,000 per share. The Series B Preferred Stock is convertible into Common Stock at an initial conversion price ("Conversion Price") of \$0.234 per share.

Cumulative preferred dividends capitalized as of September 30, 2024 are \$ 12,142.

### Series C Preferred Stock Financing

On September 30, 2024, the Company entered into a securities purchase agreement with accredited investors for a convertible preferred stock and warrants financing. The Company has received \$1,000,000 of gross proceeds in connection with the closing of this financing. The Company issued 1,000 shares of Series C convertible preferred stock ("Series C Preferred Stock") at a purchase price of \$1,000 per share of Series C Preferred Stock. The Series C Preferred Stock is convertible into Common Stock at an initial conversion price ("Conversion Price") of \$0.1759 per share of Common Stock. The Company also issued warrants exercisable for 5,685,049 shares of Common Stock with a 5.5 year term and an initial exercise price of \$ 0.1759 per share.

The Preferred Stock key terms are summarized as follows:

Preference Amounts	Issue Date	Total Face Value of Investment	Issue Purchase Price/Share
<b>Series B Preferred Stock</b>	8/14/2024	\$ 930,052	\$ 1,000
<ul style="list-style-type: none"><li>ranks senior to the Common Stock with respect to dividends and rights upon liquidation</li><li>Stated value of \$1,000 per preferred share</li><li>10% per annum dividend rate payable in cash or stock; Company has the option to cumulate or "capitalize" or dividends, in which case the accrued dividend amount shall be added to the stated value</li><li>has a liquidation preference equal to the greater of (a) 125% of the applicable liquidation value and (b) the amount per share such holder would receive if such holder converted the preferred shares into common stock immediately prior to the date of such payment</li><li>convertible into common stock at the option of the holder at an initial fixed conversion price of \$0.234 per share of common stock, subject to exchange cap and beneficial ownership limitations</li><li>conversion price is subject to certain price-based anti-dilution adjustments in the event that the Company issues or sells any shares of common stock for a consideration per share less than the conversion price then in effect</li><li>at any time, the Company has the right to redeem all, but not less than all, of the preferred shares then outstanding in cash at a price equal to a 25% premium to the greater of (i) the applicable redemption amount and (ii) the equity value of the shares of our common stock underlying the preferred shares included in the applicable redemption amount</li><li>no voting rights except as otherwise required by law (or with respect to approval of certain actions)</li></ul>			
<b>Series C Preferred Stock</b>	9/30/2024	\$ 1,000,000	\$ 1,000
<ul style="list-style-type: none"><li>ranks senior to the common stock with respect to dividends and rights upon liquidation</li><li>Stated value of \$1,000 per preferred share</li><li>10% per annum dividend rate payable in cash or stock; Company has the option to cumulate or "capitalize" or dividends, in which case the accrued dividend amount shall be added to the stated value</li><li>has a liquidation preference equal to the sum of (i) the Black Scholes value of the warrants issued in connection with the Series C Preferred Stock and (ii) the greater of (a) 125% of the applicable liquidation value and (b) the amount per share such holder would receive if such holder converted the preferred shares into common stock immediately prior to the date of such payment</li><li>convertible into common stock at the option of the holder at an initial fixed conversion price of \$0.1759 per share of common stock, subject to exchange cap and beneficial ownership limitations</li><li>conversion price is subject to certain price-based anti-dilution adjustments in the event that the Company issues or sells any shares of common stock for a consideration per share less than the conversion price then in effect</li><li>at any time, the Company has the right to redeem all, but not less than all, of the preferred shares then outstanding in cash at a price equal to a 25% premium to the greater of (i) the applicable redemption amount and (ii) the equity value of the shares of our common stock underlying the preferred shares included in the applicable redemption amount</li><li>no voting rights except as otherwise required by law (or with respect to approval of certain actions)</li><li>In connection with the Series C Preferred Stock, the Company also issued warrants exercisable for 5,685,049 shares of common stock with a 5.5 year term and an initial exercise price of \$0.1759 per share</li></ul>			

## Warrants

The following table summarizes the Company's outstanding warrants as of September 30, 2024. The warrants and related strike prices have been adjusted to reflect the 2024 Stock Split.

Issue Date	Strike Price	Number Outstanding	Expiration
April 21, 2022 (1)	\$ 69.60	155,610	April 21, 2027
April 21, 2022	\$ 87.04	10,825	April 21, 2027
April 21, 2022	\$ 69.60	26,673	April 21, 2027
May 16, 2023	\$ 0.29	77,010	May 16, 2028
November 21, 2023	\$ 0.29	46,556	November 21, 2028
November 21, 2023	\$ 0.00001	1,576	November 21, 2028
February 27, 2024	\$ 0.58	10,350,000	February 27, 2029
August 27, 2024 (2)	\$ 0.1759	400,000	August 27, 2029
September 30, 2024 (2)	\$ 0.1759	5,685,049	April 1, 2030

- (1) These warrants were issued as part of the Company's initial public offering completed April 2022, and trade on Nasdaq under the ticker symbol "ACONW."
- (2) The per share exercise price of these warrants is subject to a "ratchet" adjustment if the Company issues securities at an effective per share price lower than the then effective warrant exercise price. The strike price of \$0.1759 is current through the Series C preferred stock issuance closed September 30, 2024.

## NOTE 12. NET LOSS PER SHARE OF COMMON STOCK

Basic and diluted net loss per share is computed by dividing net loss attributable to stockholders by the weighted average number shares of common stock outstanding during the period and shares issuable for vested restricted stock units. Potentially dilutive outstanding shares of common stock equivalents were excluded from the computation of diluted net loss per share for loss periods presented because including them would have been antidilutive.

A reconciliation of the numerator and denominator used in the calculation of basic and diluted net loss per share attributable to stockholders follows:

	Three Months Ended September 30,	
	2024	2023
<b>Numerator:</b>		
Net (loss) allocable to common stockholders used to compute basic and diluted loss per common share	\$ (1,378,318)	\$ (998,010)
<b>Denominator:</b>		
Weighted average shares outstanding used to compute basic and dilutive loss per share	9,430,357	513,172
Weighted average shares issuable for vested restricted stock units and pre-funded warrants	7,514	19,756
	<u>\$ 9,437,871</u>	<u>\$ 532,928</u>
<b>Nine Months Ended September 30,</b>		
	<b>2024</b>	<b>2023</b>
<b>Numerator:</b>		
Net (loss) allocable to common stockholders used to compute basic and diluted loss per common share	\$ (5,015,497)	\$ (3,646,027)
<b>Denominator:</b>		
Weighted average shares outstanding used to compute basic and dilutive loss per share	7,688,398	503,334
Weighted average shares issuable for vested restricted stock units and pre-funded warrants	10,775	12,642
	<u>\$ 7,699,173</u>	<u>\$ 515,975</u>

The following outstanding potentially dilutive securities were excluded from the weighted average calculation of dilutive loss per share attributable to common stockholders because their impact would have been antidilutive for the period presented:

	September 30, 2024	September 30, 2023
Preferred stock (as-converted)	1,514,912	—
Warrants	10,239,459	3,809,619
Restricted stock units	15,734	780,297
Stock options	169,458	2,738,820
	<u>11,939,563</u>	<u>7,328,736</u>

## NOTE 13. STOCK BASED COMPENSATION

### 2022 Aclarion Equity Incentive Plan

On April 21, 2022, in connection with the IPO, the Company's 2022 Aclarion Equity Incentive Plan, or "2022 Plan", went into effect. Our board of directors has appointed the compensation committee of our board of directors as the committee under the 2022 Plan with the authority to administer the 2022 Plan. The aggregate number of our shares of common stock that may be issued or used for reference purposes under the 2022 Plan is 125,000

shares (2,000,000 prior to the 2024 Stock Split), with an automatic increase on January 1st of each year, for a period of not more than ten years, commencing on January 1st of the year following the year in which the initial public offering date (April 2022) occurs and ending on (and including) January 1, 2032, in an amount equal to 5% of the total number of shares of Capital Stock outstanding on December 31st of the preceding calendar year. Notwithstanding the foregoing, the Board may act prior to January 1st of a given year to provide that there will be no January 1st increase in shares for such year or that the increase in shares for such year will be a lesser number of shares of Common Stock than would otherwise occur pursuant to the preceding sentence.

As of the year ended December 31, 2023, the aggregate number of our shares of common stock that may be issued or used for reference purposes under the 2022 Plan was 154,426 (2,470,814 pre-split). On January 1, 2024, the 2022 Plan had an automatic increase of 41,270 (660,311 pre-split) shares which was 5% of the total number of shares of Capital Stock outstanding on December 31, 2023.

Options granted under the 2022 Plan may be incentive stock options or non-statutory stock options, as determined by the administrator at the time of grant of an option. Restricted stock may also be granted under the 2022 Plan. The options vest in accordance with the grant terms and are exercisable for a period of up to 10 years from grant date.

No options were granted in the nine months ended September 30, 2024.

#### **Nocimed, Inc. 2015 Stock Plan**

The Company maintains the Nocimed, Inc. 2015 Stock Plan, or the "Existing Plan", under which the Company could grant 152,558 shares (after giving effect to the 2024 Stock Split) or options of the Company to our employees, consultants, and other service providers. The Company suspended the Existing Plan in connection with the April 2022, initial public offering. The Company did not grant any stock options under the Existing Plan for the twelve months ended December 31, 2022, and thereafter. No further awards will be granted under the Existing Plan, but awards granted prior to the suspension date will continue in accordance with their terms and the terms of the Existing Plan.

#### **Determining Fair Value of Stock Options**

The fair value of each grant of stock options was determined by the Company using the methods and assumptions discussed below. Each of these inputs is subjective and generally requires significant judgment to determine.

*Valuation and Amortization Method*—The Company estimates the fair value of its stock options using the Black-Scholes-Merton option-pricing model. This fair value is then amortized over the requisite service periods of the awards.

*Expected Term*—The Company estimates the expected term of stock option by taking the average of the vesting term and the contractual term of the option, as illustrated by the simplified method.

*Expected Volatility*—The expected volatility is derived from the Company's expectations of future market volatility over the expected term of the options.

*Risk-Free Interest Rate*—The risk-free interest rate is based on the 10-year U.S. Treasury yield curve on the date of grant.

*Dividend Yield*—The dividend yield assumption is based on the Company's history and expectation of no dividend payouts.

#### **Stock Award Activity**

A summary of option activity under the Company's incentive plans is as follows:

	<b>Options Outstanding</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Life (In Years)</b>
Balance at December 31, 2023	169,456	\$ 31.15	7.5
Options granted	—	—	—
Options exercised	—	—	—
Options forfeited/expired	—	—	—
Balance at September 30, 2024	<u>169,456</u>	<u>\$ 31.15</u>	<u>6.7</u>
Exercisable at December 31, 2023	147,977	\$ 30.57	7.4
Exercisable at September 30, 2024	158,468	\$ 30.91	6.7

The aggregate intrinsic value of options outstanding at September 30, 2024 is \$ 0. The aggregate intrinsic value of vested and exercisable options at September 30, 2024 is \$0.

As of September 30, 2024, there was approximately \$ 154,839 of total unrecognized compensation cost related to non-vested stock options, which is expected to be recognized over the next 12 months.

#### **Restricted Stock Units**

In the nine months ended September 30, 2024, the Company had no new grants of RSUs under the 2022 Plan.

Post-split RSU activity under the 2022 Plan was as follows for the nine months ended September 30, 2024:

	RSU's Outstanding	Weighted-Average Grant-Date Fair value per Unit
Nonvested as of December 31, 2023	15,749	\$ 10.72
Granted	—	—
Vested	(5,469)	10.57
Forfeited	(10,280)	10.80
Nonvested as of September 30, 2024	<u>—</u>	<u>\$ —</u>

The grant date fair value for a RSU is the market price of the common stock on the date of grant. The total share-based compensation expense related to RSUs recognized during the nine months ended September 30, 2024, was \$57,824.

As of September 30, 2024, there was approximately \$ 0 total unrecognized compensation cost related to non-vested RSUs.

As of September 30, 2024, the Company has no obligation to issue shares of common stock associated with vested Restricted Stock Units.

### Stock-based Compensation Expense

The following table summarizes the total stock-based compensation expense included in the Company's statements of operations for the periods presented:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Sales and marketing	\$ 17,091	\$ 79,608	\$ 57,824	\$ 186,604
Research and development	1,971	2,055	6,081	7,670
General and administrative	55,644	55,644	166,932	162,195
Total share based compensation	<u>\$ 74,706</u>	<u>\$ 137,307</u>	<u>\$ 230,837</u>	<u>\$ 356,469</u>

### NOTE 14. SUBSEQUENT EVENTS

None.

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

The following discussion and analysis should be read in conjunction with the unaudited condensed financial statements and related notes included elsewhere in this Quarterly Report and our audited financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2023, which was filed with the SEC on March 28, 2024. This discussion and analysis and other parts of this Quarterly Report contain forward-looking statements based upon current beliefs, plans and expectations that involve risks, uncertainties and assumptions, such as statements regarding our plans, objectives, expectations, intentions and projections. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of several factors, including those set forth under Part II, Item 1A, "Risk Factors" and elsewhere in this Quarterly Report. You should carefully read the "Risk Factors" section of this Quarterly Report and of our Annual Report on Form 10-K for the year ended December 31, 2023, which was as filed with the SEC on March 28, 2024, to gain an understanding of the important factors that could cause actual results to differ materially from our forward-looking statements. Please also see the section entitled "[Special Note Regarding Forward-Looking Statements.](#)"

### Overview

#### Corporate Information

The Company currently operates as a Delaware corporation, under the name Aclarion, Inc.

#### Results of operations

##### For the Three Months Ended September 30, 2024, and 2023:

The following table summarizes our results of operations for the three months ended September 30, 2024, and 2023.

	Three Months Ended September 30,		\$ Change
	2024	2023	
<b>Revenue</b>			
Revenue	\$ 14,407	\$ 19,065	\$ (4,658)
Cost of revenue	21,332	19,558	1,774
Gross profit (loss)	<u>(6,925)</u>	<u>(493)</u>	<u>(6,432)</u>
<b>Operating expenses:</b>			
Sales and marketing	232,775	192,896	39,879
Research and development	195,797	198,252	(2,455)
General and administrative	860,461	770,534	89,927
Total operating expenses	<u>1,289,033</u>	<u>1,161,682</u>	<u>127,351</u>
<b>(Loss) from operations</b>	<u>(1,295,958)</u>	<u>(1,162,175)</u>	<u>(133,783)</u>



Other income (expense):			
Interest expense	(71,527)	(166,332)	94,805
Loss on exchange of debt	(6,585)	–	(6,585)
Loss on extinguishment of debt	–	–	–
Changes in fair value of warrant and derivative liabilities	7,591	330,252	(322,661)
Other, net	303	245	58
Total other (expense)	(70,218)	164,165	(234,383)
(Loss) before income taxes	(1,366,176)	(998,010)	(368,166)
Income tax provision	–	–	–
<b>Net income (loss)</b>	<b>\$ (1,366,176)</b>	<b>\$ (998,010)</b>	<b>\$ (368,166)</b>
Dividends accrued for preferred stockholders	(12,142)	–	(12,142)
Net (loss) allocable to common stockholders	<b>\$ (1,378,318)</b>	<b>\$ (998,010)</b>	<b>\$ (380,308)</b>
Net (loss) per share allocable to common stockholders	<b>\$ (0.15)</b>	<b>\$ (1.87)</b>	<b>\$ 1.72</b>
Weighted average shares of common stock outstanding, basic and diluted	<b>9,437,871</b>	<b>532,928</b>	<b>8,904,943</b>

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**Total revenues.** Total revenues for the quarter ended September 30, 2024 were \$14,407, which was a decrease of \$4,658, or 24%, from \$19,065 for the quarter ended September 30, 2023. The decrease in revenues was driven primarily by the conclusion of certain clinical activity at customer sites utilizing NOCISCAN® reports, offset in part by an increase in patient-pay reports.

**Cost of Revenue.** Direct cost of revenue is comprised of hosting and software costs, field support, UCSF royalty cost, partner fees (Radnet), and credit card fees. Total cost of revenue was \$21,332 for the quarter ended September 30, 2024, compared to \$19,558 for the quarter ended September 30, 2023, an increase of 9%. This increase was primarily due to a change in revenue mix that increased partner fees.

**Sales and Marketing.** Marketing expenses include post-market clinical and reimbursement consulting, salaries, website support, press releases, conferences, travel, and shared-based compensation for Key Opinion Leaders. Sales and marketing expenses were \$232,775 for the quarter ended September 30, 2024, compared to \$192,896 for the quarter ended September 30, 2023, an increase of \$39,879, or 21%. Post-market clinical expenses increased as the Company focused on the initiation of the Clarity trial. Marketing expenses also increased with the number of press releases year-over-year. There was a partial favorable offset as shared-based compensation decreased in the third quarter of 2024 with the conclusion of Key Opinion Leader grant periods.

**Research and Development.** Research and development expenses were \$195,797 for the quarter ended September 30, 2024, compared to \$198,252 for the quarter ended September 30, 2023, a decrease of \$2,455, or 1%.

**General and Administrative.** General and administrative expenses were \$860,461 for the quarter ended September 30, 2024, an increase of \$89,927, or 12%, from \$770,534 for the quarter ended September 30, 2023. For the quarter ended September 30, 2024, there was increased investment in investor relations and consulting, offset in part by reduced bonus expense, D&O insurance premiums, and legal fees compared to the quarter ended September 30, 2023.

**Other Income (Expense).**

Interest expense was \$71,527 for the quarter ended September 30, 2024, a decrease of \$94,805 from the \$166,332 incurred during the quarter ended September 30, 2023. This decrease in interest expense was due to the ongoing retirement of debt over the nine month period ended September 30, 2024.

The Company's warrant and derivative liabilities are recorded at fair value as of each reporting date (see Note 3 to the condensed financial statements). For the quarter ended September 30, 2024, the Company recorded a favorable adjustment in fair value of \$7,591.

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**For the Nine Months Ended September 30, 2024, and 2023:**

The following table summarizes our results of operations for the nine months ended September 30, 2024, and 2023.

	Nine Months Ended September 30,		\$ Change
	2024	2023	
<b>Revenue</b>			
Revenue	\$ 35,492	\$ 61,607	\$ (26,115)
Cost of revenue	64,102	56,312	7,790
Gross profit (loss)	(28,610)	5,295	(33,905)
<b>Operating expenses:</b>			
Sales and marketing	638,869	577,969	60,900
Research and development	636,940	652,657	(15,717)
General and administrative	2,402,408	2,524,308	(121,900)
Total operating expenses	3,678,217	3,754,934	(76,717)
<b>(Loss) from operations</b>	<b>(3,706,827)</b>	<b>(3,749,640)</b>	<b>42,812</b>

Other income (expense):			
Interest expense	(535,199)	(214,850)	(320,349)
Loss on exchange of debt	(1,073,317)	–	(1,073,317)
Loss on extinguishment of debt	(111,928)	–	(111,928)
Changes in fair value of warrant and derivative liabilities	330,632	318,452	12,180
Other, net	93,284	11	93,273
Total other (expense)	(1,296,528)	103,613	(1,400,141)
(Loss) before income taxes	(5,003,355)	(3,646,027)	(1,357,328)
Income tax provision	–	–	–
<b>Net income (loss)</b>	<b>\$ (5,003,355)</b>	<b>\$ (3,646,027)</b>	<b>\$ (1,357,328)</b>
Dividends accrued for preferred stockholders	(12,142)	–	(12,142)
Net (loss) allocable to common stockholders	\$ (5,015,497)	\$ (3,646,027)	\$ (1,369,470)
Net (loss) per share allocable to common stockholders	\$ (0.65)	\$ (7.07)	\$ 6.42
Weighted average shares of common stock outstanding, basic and diluted	7,699,173	515,975	7,183,198

**Total revenues.** Total revenues for the nine months ended September 30, 2024 were \$35,492, which was a decrease of \$26,115, or 42%, from \$61,607 for the nine months ended September 30, 2023. The decrease in revenues was driven primarily by the conclusion of certain clinical activity at customer sites utilizing NOCISCAN® reports.

**Cost of Revenue.** Direct cost of revenue is comprised of hosting and software costs, field support, UCSF royalty cost, partner fees (Radnet), and credit card fees. Total cost of revenue was \$64,102 for the nine months ended September 30, 2024, compared to \$56,312 for the nine months ended September 30, 2023, an increase of 14%, driven by a price increase related to hosting costs and a change in revenue mix that increased partner fees.

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**Sales and Marketing.** Marketing expenses include post-market clinical and reimbursement consulting, salaries, website support, press releases, conferences, travel, and shared-based compensation for Key Opinion Leaders. Sales and marketing expenses were \$638,869 for the nine months ended September 30, 2024, compared to \$577,969 for the nine months ended September 30, 2023, an increase of \$60,900, or 11%. Increased post-market clinical expense related to the Clarity trial, greater marketing expense, and increased benefits costs were offset in part by a reduction in restricted stock vesting expense related to the Company's engagement of Key Opinion Leaders.

**Research and Development.** Research and development expenses were \$636,940 for the nine months ended September 30, 2024, compared to \$652,657 for the nine months ended September 30, 2023, a decrease of \$15,717, or 2%.

**General and Administrative.** General and administrative expenses were \$2,402,408 for the nine months ended September 30, 2024, a decrease of \$121,900 or 5%, from \$2,524,308 for the nine months ended September 30, 2023. The decrease was driven by reduced bonus accruals, lower personnel expense, and decreased D&O insurance premiums, offset in part by higher legal and finance support costs and increased investment in investor relations.

**Other Income (Expense).**

Interest expense was \$535,199 for the nine months ended September 30, 2024, an increase of \$320,349 from the \$214,850 incurred during the nine months ended September 30, 2023. This increase in interest expense was due to the increase in debt taken on by the Company in 2023. In May, September and November 2023 the Company issued \$2,594,118 aggregate principal amount of unsecured non-convertible notes to certain accredited investors. (see Note 9 to the condensed financial statements).

The Company incurred losses for the nine months ended September 30, 2024, on three transactions to reduce debt. The first transaction took place between January 22 and January 29, 2024, whereby the Company entered into a series of exchange agreements with investors to issue an aggregate of 644,142 post-split shares of common stock in exchange for \$1,519,779 principal and accrued interest on the notes. This transaction accelerated the recognition of the related note discounts and resulted in a \$1,066,732 charge. The second transaction was on March 6, 2024, whereby the Company paid \$300,974 of principal and accrued interest on the notes. This transaction accelerated the recognition of the related note discounts and resulted in a \$111,928 charge. The third transaction was on August 14, 2024, whereby the Company entered into an exchange agreement with investors to issue an aggregate of 930 shares of B-Series convertible preferred stock in exchange for \$930,052 principal and accrued interest on the notes.

The Company's warrant and derivative liabilities are recorded at fair value as of each reporting date (see Note 3 to the condensed financial statements). For the nine months ended September 30, 2024, the Company recorded a favorable adjustment in fair value of \$330,632.

Other net income of \$93,284 for the nine months ended September 30, 2024, included a favorable discount to accounts payable of \$117,985, offset in part by a \$25,000 penalty paid to investors related to a failure to timely register certain commitment shares.

**Critical accounting policies and use of estimates**

Our Management's Discussion and Analysis of Financial Condition and Results of Operations is based on our financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of our financial statements and related disclosures requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, costs and expenses and the disclosure of contingent assets and liabilities in our financial statements. We base our estimates on historical experience, known trends and events and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates.

While our significant accounting policies are described in more detail in the notes to our financial statements, we believe that the following accounting policies are those most critical to the judgments and estimates used in the preparation of our financial statements.

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## Revenue Recognition

The Company derives its revenues from one source, the delivery of Nociscan reports to medical professionals. Revenues are recognized when a contract with a customer exists, and the control of the promised services are transferred to our customers. The amount of revenue recognized reflects the consideration the Company expects to receive in exchange for those services. Our revenues are generated from contracts with customers in the United States and internationally.

## Equity-Based Compensation

Certain of our employees and consultants have received grants of common stock options and RSUs in our company. These awards are accounted for in accordance with guidance prescribed for accounting for equity-based compensation. Based on this guidance and the terms of the awards, the awards are equity classified.

Until our April 2022 initial public offering, we were a private company with no active public market for our common equity. Therefore, we had periodically determined the overall value of our company and the estimated per share fair value of our common equity at their various dates using contemporaneous valuations performed in accordance with the guidance outlined in the American Institute of CPA's Practice Aid. Since a public trading market for our common stock has been established in connection with the completion of our initial public offering, it will no longer be necessary for us to estimate the fair value of our common stock in connection with our accounting for equity awards we may grant, as the fair value of our common stock will be its public market trading price.

For financial reporting purposes, we performed common stock valuations as a private company with the assistance of a third-party specialist. Subsequent to the initial public offering, the fair value of the Company's common stock underlying its equity awards is based on the quoted market price of the Company's common stock on the grant date.

## Going Concern

The Company believes that the net proceeds from the common shares offered at-the-market in August 2024 and the issuance of C-Series preferred stock in September 2024 will be sufficient to fund current operating plans into December 2024. The Company has based these estimates, however, on assumptions that may prove to be wrong, and could spend available financial resources much faster than we currently expect. The Company will need to raise additional funds to continue funding our technology development. Management plans to secure such additional funding.

As a result of the Company's recurring losses from operations and the need for additional financing to fund its operating and capital requirements, there is uncertainty regarding the Company's ability to maintain liquidity sufficient to operate its business effectively, which raises substantial doubt as to the Company's ability to continue as a going concern.

## Liquidity and capital resources

### Sources of liquidity

To date, the Company has financed operations primarily through public and private offerings of our debt and equity securities and PPP loans that were forgiven.

During the nine months ended September 30, 2024, the Company completed a public offering of 5,175,000 units ("Units") at a price of \$0.58 per Unit, for gross proceeds of approximately \$3.0 million, before deducting offering expenses. Additionally, the Company raised approximately \$1.4M of net proceeds from an equity line in January 2024 and \$0.3M in April 2024, retired approximately \$930K of debt in exchange for 930 shares of B-Series preferred stock in August 2024, issued common stock pursuant to our Reg A+ offering of \$529K, and issued 1,000 shares of C-Series preferred stock in September 2024 for proceeds of \$1.0M.

As of September 30, 2024, the Company had cash, including \$10,000 of restricted cash, of \$1,322,098. The Company believes that this cash will be sufficient to fund current operating plans into December 2024. The Company has based these estimates, however, on assumptions that may prove to be wrong, and could spend available financial resources much faster than we currently expect. The Company will need to raise additional funds to continue funding our technology development. Management plans to secure such additional funding.

## Cash flows

The following table summarizes our sources and uses of cash for each of the periods presented:

	Nine Months Ended September 30,	
	2024	2023
Cash used in operating activities	\$ (4,348,748)	\$ (2,913,165)
Cash used in investing activities	(261,220)	(85,603)
Cash provided by financing activities	4,900,996	1,687,412
Net increase (decrease) in cash	\$ 291,028	\$ (1,311,356)

### Operating activities

During the nine months ended September 30, 2024, operating activities used \$4,348,748 of cash. The Company significantly reduced accounts payable, primarily legal expenses that had accrued over time, and significantly reduced accrued expenses including payroll, bonuses, board compensation, and audit fees. During the nine months ended September 30, 2023, operating activities used \$2,913,165 of cash. This use of cash consisted primarily of employee compensation and benefit expense, general liability insurance, contractor compensation, and audit and legal fees.

### Investing activities

During the nine months ended September 30, 2024, and 2023, investing activities used \$261,220 and \$85,603 of cash, respectively. These investing

activities consisted almost entirely of patent and license maintenance.

### **Financing activities**

Between January 4 and January 8, 2024, and pursuant to the Equity Line Purchase Agreement, the Company issued to White Lion 452,343 newly issued common shares for proceeds of \$1,449,532. On April 26, 2024, the Company issued 1,050,000 common shares for proceeds of \$304,500.

Between January 22 and January 29, 2024, the Company entered into a series of exchange agreements (the "Exchange Agreements") with the accredited investors to exchange principal and accrued interest on the May 2023 Notes for shares of common stock. Pursuant to the Exchange Agreements, the Company issued an aggregate of 644,142 post-split shares of common stock in exchange for \$1,519,779 principal and accrued interest on the May 2023 Notes.

On February 27, 2024, the Company completed a public offering of 5,175,000 units ("Units") at a price of \$0.58 per Unit, for gross proceeds of approximately \$3.0 million, before deducting offering expenses. Each Unit was comprised of (i) one share of common stock or, in lieu of common stock, one prefunded warrant to purchase a share of common stock, and (ii) two common warrants, each common warrant to purchase a share of common stock. The prefunded warrants are immediately exercisable at a price of \$0.00001 per share of common stock and only expire when such prefunded warrants are fully exercised. The common warrants are immediately exercisable at a price of \$0.58 per share of common stock and will expire five years from the date of issuance.

On March 6, 2024, the Company paid \$300,973 of principal and accrued interest on the November 2023 Notes.

Between August 12 and August 27, 2024, the Company issued 1,825,000 shares of common stock pursuant to our Reg A+ offering for proceeds of \$529K.

On August 14, 2024, the Company entered into an exchange agreement (the "Exchange Agreement") with the accredited investors to exchange \$930,052 of principal and accrued interest on the September 2023 Notes for 930 shares of newly issued Series B convertible preferred stock ("Series B Preferred Stock") at a purchase price of \$1,000 per share.

On September 30, 2024, the Company entered into a securities purchase agreement with accredited investors for a convertible preferred stock and warrants financing. The Company has received \$1,000,000 of gross proceeds in connection with the closing of this financing. The Company issued 1,000 shares of Series C convertible preferred stock ("Series C Preferred Stock") at a purchase price of \$1,000 per share of Series C Preferred Stock. The Series C Preferred Stock is convertible into Common Stock at an initial conversion price ("Conversion Price") of \$0.1759 per share of Common Stock. The Company also issued warrants exercisable for 5,685,049 shares of Common Stock with a 5.5 year term and an initial exercise price of \$0.1759 per share.

During the nine months ended September 30, 2023, the Company sold one (1) share of the Company's newly designated Series A preferred stock to Jeffrey Thramann, the Company's Executive Chairman, for a purchase price of \$1,000. The share of Series A preferred stock had proportional voting rights that were limited to the proposal to approve a reverse stock split of the Company's common stock. Following the March 24, 2023, special meeting, the Company redeemed the one outstanding share of Series A preferred stock on March 28, 2023, in accordance with its terms. The redemption price was \$1,000. No Series A preferred stock remains outstanding.

During the nine months ended September 30, 2023, the Company issued \$1,437,500 May 2023 Notes, with a maturity date of May 16, 2024, for cash proceeds of \$1,250,000. The May 2023 Notes contained an original issue discount of 15.0% and accrued interest at an annual rate of 8.0%.

In September 2023, as agreed to during the issuance of the May 2023 Notes, the Company exercised their right to an additional financing, issuing \$862,500 September 2023 Notes that mature on September 1, 2024, for cash proceeds of \$750,000. The September 2023 Notes contained an original issue discount of 15.0% and accrued interest at an annual rate of 8.0%.

### **Funding requirements**

Developing medical technology products is a time-consuming, expensive and uncertain process that takes years to complete, and the Company may never generate meaningful revenues. Accordingly, we may need to obtain substantial additional funds to achieve our business objectives.

Adequate additional funds may not be available to us on acceptable terms, or at all. To the extent that the Company raises additional capital through the sale of equity securities, the ownership interest of existing stockholders may be diluted. Any debt or preferred equity financing, if available, may involve agreements that include restrictive covenants that may limit our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends, which could adversely impact our ability to conduct our business, and may require the issuance of warrants, which could potentially dilute existing stockholders' ownership interests.

If we raise additional funds through licensing agreements and strategic collaborations with third parties, we may have to relinquish valuable rights to our technology, future revenue streams, research programs, or product candidates or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds, we may be required to delay, limit, reduce and/or terminate development of our product candidates or any future commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

### **Contractual obligations and commitments**

The Company does not have any contractual obligations not otherwise on our balance sheet as of September 30, 2024.

### **Off-balance sheet arrangements**

The Company did not have, during the periods presented, and we do not currently have any off-balance sheet arrangements as defined in the rules and regulations of the SEC.

### **Recently issued accounting pronouncements**

The Company reviewed all recently issued standards and has determined that, as disclosed in Note 4 to our condensed financial statements appearing in this quarterly report, there have been no recent accounting pronouncements not yet effective that have significance, or potential significance, to our Consolidated Financial Statements.

#### **Emerging growth company and smaller reporting company status**

The JOBS Act permits an emerging growth company such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies until those standards would otherwise apply to private companies. We have elected not to “opt out” of this extended transition period and, as a result, we will not adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for public entities. Accordingly, our financial statements may not be comparable to other public companies that do not elect the extended transition period.

We are also a “smaller reporting company” meaning that the market value of our stock held by non-affiliates is less than \$700 million and our annual revenue was less than \$100 million during the most recently completed fiscal year. We may continue to be a smaller reporting company if either (i) the market value of our stock held by non-affiliates is less than \$250 million or (ii) our annual revenue was less than \$100 million during the most recently completed fiscal year and the market value of our stock held by non-affiliates is less than \$700 million. If we are a smaller reporting company at the time we cease to be an emerging growth company, we may continue to rely on exemptions from certain disclosure requirements that are available to smaller reporting companies. Specifically, as a smaller reporting company we may choose to present only the two most recent fiscal years of audited financial statements in our Annual Report on Form 10-K and, similar to emerging growth companies, smaller reporting companies have reduced disclosure obligations regarding executive compensation.

#### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

#### **Item 4. Controls and Procedures.**

##### **Evaluation of Disclosure Controls and Procedures.**

We have adopted and maintain disclosure controls and procedures (as such term is defined in Exchange Act Rules 13a-15(e) and 15d-15(e) under the Exchange Act), that are designed to ensure that information required to be disclosed in our reports under the Exchange Act, is recorded, processed, summarized and reported within the time periods required under the SEC’s rules and forms and that the information is gathered and communicated to our management, including our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), to allow for timely decisions regarding required disclosure.

As required by Exchange Act Rule 13a-15, our Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15 as of the end of the period covered by this report. Based on the foregoing evaluation, our Chief Executive Officer and Chief Financial Officer concluded that due to our limited resources our disclosure controls and procedures are not effective in providing material information required to be included in our periodic SEC filings on a timely basis and to ensure that information required to be disclosed in our periodic SEC filings is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure about our internal control over financial reporting discussed below.

During the nine months ended September 30, 2024, the Company worked with an outside firm to establish best practices to improve our required disclosure about our internal control over financial reporting.

##### **Changes in Internal Control over Financial Reporting**

Our Chief Executive Officer and Chief Financial Officer concluded that our internal control over financial reporting was not effective as of December 31, 2023, due to material weaknesses related to (1) a limited segregation of duties due to our lack of formal control documentation, limited resources, and the small number of employees, and (2) a lack of adequate accounting resources to properly account for complex accounting transactions. Management determined that these control deficiencies constitute material weaknesses, which could result in material misstatements of significant accounts and disclosures that could result in a material misstatement to our interim or annual financial statements that would not be prevented or detected. In addition, due to limited staffing, we are not always able to detect minor errors or omissions in reporting.

The Company did engage an outside firm in the third quarter of 2023 to provide accounting support and increased segregation of duties. During the nine months ended September 30, 2024, the Company continued to work with the outside firm to establish best practices over time that enhance internal control over financial reporting.

**Other than the applicable remediation efforts described above, there were no changes to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.**

## Item 1. Legal Proceedings.

From time to time, the Company may be involved in litigation relating to claims arising out of our operations in the normal course of business. We are not currently a party to any material legal proceedings, the adverse outcome of which, in our management's opinion, individually or in the aggregate, could have a material adverse effect on the results of our operations or financial position. There are no material proceedings in which any of our directors, officers or affiliates or any registered or beneficial stockholder of more than 5% of our common stock is an adverse party or has a material interest adverse to our interest.

## Item 1A. Risk Factors.

In addition to the information set forth in this Form 10-Q, you should carefully consider the risk factors disclosed in the Risk Factors section of our Annual Report on Form 10-K for the year ended December 31, 2023, which was filed with the SEC on March 28, 2024. There have been no material changes to our risk factors from those included in such Annual Report except as noted below. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations. We may disclose changes to such factors or disclose additional factors from time to time in our future filings with the SEC.

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

Not applicable.

## Item 3. Defaults Upon Senior Securities.

None.

## Item 4. Mine Safety Disclosures.

Not applicable.

## Item 5. Other Information.

During the quarter ended September 30, 2024, no director or officer of the Company adopted or terminated or otherwise had in effect a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

## Item 6. Exhibits.

The exhibits required by Item 601 of Regulation S-K and Item 15(b) of this Quarterly Report are listed in the Exhibit Index below. The exhibits listed in the Exhibit Index are incorporated by reference herein.

Exhibit Number	Description of Document	Incorporated by reference from Form	Filing Date	Exhibit Number	Filed Herewith
1.1	<a href="#">IPO Underwriting Agreement dated April 21, 2022</a>	8-K	04-27-2022	1.1	
1.2	<a href="#">Form of 2024 Placement Agent Agreement</a>	S-1/A	03-23-2024	1.1	
3.1	<a href="#">Amended and Restated Certificate of Incorporation of the Company</a>	8-K	04-27-2022	3.1	
3.2	<a href="#">Certificate of Amendment dated January 3, 2024 to the Amended and Restated Certificate of Incorporation</a>	8-K	01-04-2024	3.1	
3.3	<a href="#">Bylaws of the Company</a>	8-K	04-27-2022	3.2	
3.4	<a href="#">Certificate of Designation of Series A Preferred Stock</a>	8-K	02-17-2023	3.1	
3.5	<a href="#">Amendment to Bylaws dated June 12, 2024</a>	8-K	06-18-2024	3.1	
3.6	<a href="#">Series B Convertible Preferred Stock Certificate of Designations dated August 14, 2024</a>	8-K	08-16-2024	3.1	
3.7	<a href="#">Series C Convertible Preferred Stock Certificate of Designations dated September 30, 2024</a>	8-K	10-01-2024	3.1	
4.1	<a href="#">Form of Common Stock Certificate</a>	10-Q	06-06-2022	4.1	
4.2	<a href="#">Form of IPO Public Warrant</a>	8-K	04-27-2022	4.1	
4.3	<a href="#">Form of IPO Representative's Common Stock Purchase Warrant</a>	8-K	04-27-2022	4.2	
4.4	<a href="#">Description of Securities</a>	10-Q	06-06-2022	4.4	
4.5	<a href="#">2024 Form of Common Warrant</a>	S-1/A	02-06-2024	4.5	
4.6	<a href="#">2024 Form of Prefunded Warrant</a>	S-1/A	02-06-2024	4.6	
4.7	<a href="#">2024 Form of Warrant Agency Agreement</a>	S-1/A	02-23-2024	4.7	
10.1	<a href="#"># Employment Agreement of Jeff Thramann</a>	S-1/A	03-23-2022	10.1	
10.2	<a href="#"># Employment Agreement of Brent Ness</a>	S-1/A	03-23-2022	10.2	
10.3	<a href="#"># Employment Agreement of John Lorbiecki</a>	S-1/A	03-23-2022	10.3	
10.4	<a href="#"># Form of Aclarion, Inc. 2022 Equity Incentive Plan</a>	S-1	01-06-2022	10.4	
10.5	<a href="#">Senior Secured Bridge Note</a>	S-1/A	03-04-2022	10.5	
10.6	<a href="#">License Agreement with UCSF the Regents of the University of California</a>	S-1	01-06-2022	10.6	
10.7	<a href="#">Amendment to UC License Agreement</a>	S-1/A	03-04-2022	10.7	
10.8	<a href="#">**NuVasive Amended and Restated Commission Agreement dated February 28, 2020</a>	S-1/A	03-23-2022	10.8	
10.9	<a href="#">Amended and Restated Investor Rights Agreement dated July 27, 2017</a>	S-1/A	03-23-2022	10.9	
10.10	<a href="#">First Amendment to Amended and Restated Investor Rights Agreement dated February 20, 2020</a>	S-1/A	03-23-2022	10.10	
10.11	<a href="#">NuVasive SAFE (Simple Agreement for Future Equity) dated February 28, 2020</a>	S-1/A	03-23-2022	10.11	
10.12	<a href="#">**Right of First Offer Agreement</a>	S-1/A	03-23-2022	10.12	
10.13	<a href="#">First Amendment to Right of First Offer Agreement</a>	S-1/A	03-23-2022	10.13	
10.14	<a href="#">Second Amendment to Right of First Offer Agreement</a>	S-1/A	03-23-2022	10.14	
10.15	<a href="#">Convertible Note and Warrant Purchase Agreement</a>	S-1/A	03-23-2022	10.16	
10.16	<a href="#">Warrant Agent Agreement dated April 21, 2022</a>	8-K	04-27-2022	10.1	

10.18	# <a href="#">Aclarion, Inc. 2022 Equity Incentive Plan – Form of Option Grant Notice and Stock Option Agreement</a>	S-1	01-06-2022	10.20	
10.19	# <a href="#">Aclarion, Inc. 2022 Equity Incentive Plan – Form of RSU Grant Notice and RSU Agreement</a>	S-1	01-06-2022	10.21	
10.20	# <a href="#">Nocimed, Inc. 2015 Stock Plan</a>	S-8	05-26-2022	99.4	
10.21	# <a href="#">Nocimed, Inc. 2015 Stock Plan – Form of Option Grant Notice and Stock Option Agreement</a>	S-8	05-26-2022	99.5	
10.22	<a href="#">Securities Purchase Agreement dated February 16, 2023 between Aclarion, Inc. and Jeffrey Thramann</a>	8-K	02-17-2023	10.1	
10.23	<a href="#">Form of Securities Purchase Agreement</a>	8-K	05-17-2023	10.1	
10.24	<a href="#">Form of Unsecured Non-Convertible Note</a>	8-K	05-17-2023	10.2	
10.25	<a href="#">Form of Common Stock Warrant</a>	8-K	05-17-2023	10.3	
10.26	<a href="#">Form of Registration Rights Agreement</a>	8-K	05-17-2023	10/4	
10.27	<a href="#">Waiver Related to Unsecured Non-Convertible Notes</a>	8-K	08-14-2023	10.1	
10.28	<a href="#">White Lion Purchase Agreement</a>	8-K	10-10-2023	10.1	
10.29	<a href="#">White Lion Registration Rights Agreement</a>	8-K	10-10-2023	10.2	
10.30	<a href="#">2024 Form of Lock-Up Agreement</a>	S-1/A	02-06-2024	10.31	
10.31	<a href="#">2024 Form of Securities Purchase Agreement</a>	S-1/A	02/23/2024	10.32	
10.32	<a href="#">Form of Securities Purchase Agreement dated November 21, 2023</a>	8-K	11-22-2023	10.1	
10.33	<a href="#">Form of Unsecured Non-Convertible Note dated November 21, 2023</a>	8-K	11-22-2023	10.2	
10.34	<a href="#">Form of Common Stock Warrant dated November 21, 2023</a>	8-K	11-22-2023	10.3	
10.35	<a href="#">Form of Registration Rights Agreement dated November 21, 2023</a>	8-K	11-22-2023	10.4	
10.36	<a href="#">Form of January 2024 Exchange Agreement</a>	8-K	01-23-2024	10.1	
10.37	<a href="#">Form of Subscription Agreement</a>	1-A/A	06-20-2024	4.1	
10.38	<a href="#">Form of Exchange Agreement dated August 14, 2024</a>	8-K	08-16-2024	10.1	
10.39	<a href="#">Form of Warrant Purchase Agreement dated August 14, 2024</a>	8-K	08-29-2024	10.2	
10.40	<a href="#">Form of Securities Purchase Agreement dated September 30, 2024</a>	8-K	10-01-2024	10.1	
10.41	<a href="#">Form of Common Stock Warrant dated September 30, 2024</a>	8-K	10-01-2024	10.2	
10.42	<a href="#">Form of Registration Rights Agreement dated September 30, 2024</a>	8-K	10-01-2024	10.3	
31.1	<a href="#">Section 302 Certification by the Corporation's Chief Executive Officer</a>				X
31.2	<a href="#">Section 302 Certification by the Corporation's Chief Financial Officer</a>				X
32.1	<a href="#">Section 906 Certification by the Corporation's Chief Executive Officer</a>				X
32.2	<a href="#">Section 906 Certification by the Corporation's Chief Financial Officer</a>				X
97.1	<a href="#">Aclarion Clawback Policy</a>	10-K	03-28-2024	97.1	
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)				
101.SCH	Inline XBRL Taxonomy Extension Schema Document				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				
104	Cover Page Interactive Data File (formatted in iXBRL, and included in exhibit 101).				

# Indicates management contract or compensatory plan.

\*\* Certain portions of the exhibit have been omitted pursuant to Rule 601(b)(10) of Regulation S-K. The omitted information is (i) not material and (ii) would likely cause competitive harm to the Company if publicly disclosed.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**ACLARION, INC.**

By: /s/ John Lorbiecki  
 John Lorbiecki  
 Chief Financial Officer  
 (Principal Financial and Accounting Officer)

Date: November 14, 2024





**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO RULES 13a-14(a) OR 15D-14(a)  
UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Brent Ness, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2024, of Aclarion, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its 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.
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.

November 14, 2024

/s/ Brent Ness

Brent Ness  
Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO RULES 13a-14(a) OR 15D-14(a)  
UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, John Lorbiecki, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2024, of Aclarion, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its 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.
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.

November 14, 2024

/s/ John Lorbiecki

John Lorbiecki  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

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

In connection with the Quarterly Report of Aclarion, Inc. (the "Company") on Form 10-Q, for the period ended September 30, 2024, as filed with the Securities and Exchange Commission, I, Brent Ness, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Quarterly Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

November 14, 2024

*/s/ Brent Ness*

\_\_\_\_\_  
Brent Ness  
Chief Executive Officer  
(Principal Executive Officer)

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

In connection with the Quarterly Report of Aclarion, Inc. (the "Company") on Form 10-Q, for the period ended September 30, 2024, as filed with the Securities and Exchange Commission, I, John Lorbiecki, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Quarterly Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

November 14, 2024

*/s/ John Lorbiecki*

\_\_\_\_\_  
John Lorbiecki

Chief Financial Officer

(Principal Financial and Accounting Officer)