

ACLARION, INC. Form 10-Q false --12-31 2024 Q2 0001635077 0001635077 2024-01-01 2024-06-30 0001635077
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xbrli:shares xbrli:pure Table of Contents UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington,
D.C. 20549 Â FORM 10-Q Â (Mark One) Â QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 Â For the quarterly period ended June 30, 2024 Â or Â Â Â TRANSITION
REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 Â For the transition
period from _____ to _____ Â Commission File Number: 001-41358 Â ACLARION, INC. (Exact name of
registrant as specified in its charter) Â Delaware Â 47-3324725 (State or other jurisdiction of incorporation) Â (IRS
Employer Identification No.) Â 8181 Arista Place, Suite 100 Broomfield, Colorado 80021 (Address of Principal Executive
Offices) (Zip Code) Â Registrant's telephone number, including area code: (833) 275-2266 Â 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 Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No As of August 14, 2024, there were 8,610,671 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.

	2024	2023	2022	2021	2020
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PART I. FINANCIAL INFORMATION					
Item 1. Financial Statements					
Aclarion, Inc. Condensed Balance Sheets					
	Jun 30, 2024	Dec 31, 2023	Dec 31, 2022	Dec 31, 2021	Dec 31, 2020
(Unaudited)					
ASSETS					
Current assets:					
Cash and cash equivalents	\$1,172,687	\$1,021,069	\$1,000,000	\$1,000,000	\$1,000,000
Accounts receivable, net	13,270	13,270	13,270	13,270	13,270
Prepays and other current assets	649,357	649,357	649,357	649,357	649,357
Total current assets	1,851,757	1,851,757	1,851,757	1,851,757	1,851,757
Non-current assets:					
Property and equipment, net	1,189	1,189	1,189	1,189	1,189
Intangible assets, net	1,235,875	1,235,875	1,235,875	1,235,875	1,235,875
Total non-current assets	1,237,064	1,237,064	1,237,064	1,237,064	1,237,064
Total assets	\$3,088,821	\$3,088,821	\$3,088,821	\$3,088,821	\$3,088,821
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)					
Current liabilities:					
Accounts payable	\$179,123	\$179,123	\$179,123	\$179,123	\$179,123
Accrued and other liabilities	447,972	447,972	447,972	447,972	447,972
Note payable, net of discount	777,087	777,087	777,087	777,087	777,087
Warrant liability	23,861	23,861	23,861	23,861	23,861
Derivative liability	18,601	18,601	18,601	18,601	18,601
Liability to issue equity	33,297	33,297	33,297	33,297	33,297
Total current liabilities	1,446,644	1,446,644	1,446,644	1,446,644	1,446,644
Total liabilities	1,446,644	1,446,644	1,446,644	1,446,644	1,446,644
Common stock - \$0.00001 par value, 200,000,000 authorized and 8,210,671 and 825,459 shares issued and outstanding (see Note 11)	82	82	82	82	82
Additional paid-in capital	49,560,800	49,560,800	49,560,800	49,560,800	49,560,800
Accumulated deficit	(47,918,705)	(47,918,705)	(47,918,705)	(47,918,705)	(47,918,705)
Total stockholders' equity (deficit)	\$3,088,821	\$3,088,821	\$3,088,821	\$3,088,821	\$3,088,821
See accompanying notes to condensed financial statements.					
Aclarion, Inc. Condensed Statements of Operations (unaudited)					
	Three Months Ended June 30,	Three Months Ended June 30,	Three Months Ended June 30,	Three Months Ended June 30,	Three Months Ended June 30,
	2024	2023	2024	2023	2022
Revenue	\$10,971	\$10,971	\$10,971	\$10,971	\$10,971
Cost of revenue	23,294	23,294	23,294	23,294	23,294
Gross profit (loss)	(12,323)	(12,323)	(12,323)	(12,323)	(12,323)
Operating expenses:					
Sales and marketing	225,037	225,037	225,037	225,037	225,037
Research and development	202,102	202,102	202,102	202,102	202,102
General and administrative	454,405	454,405	454,405	454,405	454,405
Total operating expenses	1,123,238	1,123,238	1,123,238	1,123,238	1,123,238

(Loss) from operations (1,135,561) (1,406,200) (2,410,869) (2,587,465) Other income (expense): Interest expense (127,848) (47,139) (463,672) (48,519) Loss on exchange of debt (111,928) Changes in fair value of warrant and derivative liabilities 25,357 (11,800) 323,041 (11,800) Other, net (25) 583 92,980 (234) Total other income (expense) (102,516) (58,356) (1,226,311) (60,552) Income (loss) before income taxes (1,238,077) (1,464,557) (3,637,180) (2,648,017) Income tax provision (1,238,077) (1,464,557) (3,637,180) (2,648,017) Net income (loss) \$(1,238,077) \$(1,464,557) \$(3,637,180) \$(2,648,017) Net income (loss) allocable to common stockholders \$(1,238,077) \$(1,464,557) \$(3,637,180) \$(2,648,017) Net income (loss) per share allocable to common shareholders \$(0.15) \$(2.83) \$(0.53) \$(5.22) Weighted average shares of common stock outstanding, basic and diluted 8,217,024 517,979 6,829,825 507,499 See accompanying notes to condensed financial statements.
 Aclarion, Inc. Condensed Statements of Changes in Stockholders' Equity (Deficit) (Unaudited) Series A-1, A-2, A-3, A-4 Series B, B-1 Series B-2, B-3 Preferred Stock Preferred Stock Preferred Stock Shares Value 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 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 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 (continued)
 Aclarion, Inc. Condensed Statements of Changes in Stockholders' Equity (Deficit) (Unaudited) (continued) Common Stock Paid-In Accumulated Shares Value Capital Deficit Total 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 Issuance of warrants - note financing 37,500 37,500 Net income (loss) (1,464,557) (1,464,557) Balance, June 30, 2023 512,555 \$5 42,028,387 \$(42,018,169) 10,223 Additional Paid-In Accumulated Common Stock Paid-In Accumulated Shares Value Capital Deficit Total Balance, December 31, 2023 825,459 \$8 43,553,524 \$(44,281,526) \$(727,995) Share-based compensation 85,827 85,827 Issuance of common shares related to restricted stock units 4,261 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 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 644,142 6 1,771,600 1,771,606 Round up conversion related to reverse stock split 40,068 40,068 Net income (loss) (2,399,102) (2,399,102) Balance, March 31, 2024 7,153,500 \$72 49,186,006 \$(46,680,628) 2,505,449 Share-based compensation 70,305 70,305 Issuance of common shares related to restricted stock units 7,171 7,171 Issuance of common shares - equity line of credit 1,050,000 10

Net income (loss) (1,238,077) (1,238,077)
 Balance, June 30, 2024 8,210,671 \$82 \$49,560,800 \$(47,918,705) 1,642,177 See accompanying notes to condensed financial statements.

Aclarion, Inc. Condensed Statements of Cash Flows
 (unaudited) Six Months Ended June 30, 2024 2023

	2024	2023
Cash flows from operating activities	\$ (3,637,180)	\$ (2,648,017)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	90,864	79,809
Share-based compensation	156,131	219,162
Loss on exchange of debt	1,066,732	
Loss on extinguishment of debt	111,928	
Amortization of deferred issuance costs	442,289	28,520
Change in fair value related to warrants and derivative	(323,041)	11,800
Non-cash interest related to bridge funding	49,116	14,346
Change in assets and liabilities		
Accounts receivable	(5,115)	1,414
Prepays and other current assets	(405,657)	33,287
Accounts payable	(540,710)	57,914
Accrued and other liabilities	(267,325)	241,110
Note payable, net of discount	(31,129)	
Net cash (used in) operations	(3,293,096)	(1,960,653)
Cash flows from investing activities:		
Intangible assets - Patents	(157,523)	(72,634)
Net cash (used in) investing activities	(157,523)	(72,634)
Cash flows from financing activities:		
Issuance of common stock and warrants related to public offering, net deductions	2,691,391	
Proceeds from equity line	1,754,032	
Repayment of promissory notes	(300,973)	
Equity line cash issuance costs	(262,744)	
Public offering cash issuance costs	(256,094)	
Bridge fund cash issuance costs	(23,375)	(85,000)
Proceeds from bridge funding		1,250,000
Proceeds from sale of Series A preferred stock		1,000
Redemption of Series A Preferred stock		(1,000)
Net cash provided by financing activities	3,602,237	1,165,000
Net increase (decrease) in cash and cash equivalents	151,618	(868,287)
Cash, cash equivalents and restricted cash, beginning of period	1,031,069	1,482,806
Cash, cash equivalents and restricted cash, end of period	\$1,182,687	\$614,518
Non-cash activities:		
Issuance of common shares in exchange for debt	1,519,779	
Issuance of bridge fund commitment shares	33,297	175,619
Fair value of warrants and derivative related to bridge funding		742,988
Accrued debt issuance costs related to bridge funding		118,575
Issuance of warrants related to bridge funding		37,500
Original issue discount (15%) related to bridge funding		187,500

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.

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 share 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:

	December 31, 2023
Common shares issued and outstanding - pre-2024 split	13,206,229 shares
Common shares issued and outstanding - post-2024 split	825,459 shares
Additional paid-in capital - pre-2024 split	\$43,553,399
Additional paid-in capital - post-2024 split	\$43,553,523

Schedule of share information reflecting on a retroactive basis the reverse stock splits

	Year ended December 31, 2023
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 share attributable to common stockholders - pre-2024 split	\$(0.55)
Basic and diluted net loss per share attributable to common stockholders - post-2024 split	\$(8.82)

A Nasdaq notice regarding compliance with the \$1.00 Minimum Bid Price requirement. On April 8, 2024, Aclarion, Inc. (the "Company") received a written notice (the "Notice") from the Listing Qualifications Department of The Nasdaq Stock Market ("Nasdaq") indicating that the Company is 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 Notice does 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 meets this requirement. The Notice indicated that the Company will be provided 180 calendar days (or until October 7, 2024) in which to regain compliance. If at any time during this 180 calendar day period the bid price of the Company's common stock closes at or above \$1.00 per share for a minimum of ten consecutive business days, the Nasdaq staff (the "Staff") will provide the Company with a written confirmation of compliance and the matter will be closed. Alternatively, if the Company fails to regain compliance with Rule 5550(a)(2) prior to the expiration of the initial 180 calendar day period, the Company may be eligible for an additional 180 calendar day compliance period, provided (i) it meets the continued listing requirement for market value of publicly held shares and all other applicable requirements for initial listing on The Nasdaq Capital Market (except for the Bid Price Requirement) and (ii) it provides written notice to Nasdaq of its intention to cure this deficiency during the second compliance period by effecting a reverse stock split, if necessary. In the event the Company does not regain compliance with Rule 5550(a)(2) prior to the expiration of the initial 180 calendar day period, and if it appears to the Staff that the Company will not be able to cure the deficiency, or if the Company is not otherwise eligible, the Staff will provide the Company with written notification that its securities are subject to delisting from The Nasdaq Capital Market. At that time, the Company may appeal the delisting determination to a Hearings Panel. The Company intends to monitor the closing bid price of its common stock and is considering its options to regain compliance with the Bid Price Requirement. The Company's receipt of the Notice does not affect the Company's business, operations or reporting requirements with the Securities and Exchange Commission.

10. Nasdaq Stockholder Equity Notice. On March 3, 2023, the Company received a written notice (the "Stockholder Equity Notice") from Nasdaq indicating that it is not in compliance with Nasdaq Listing Rule 5550(b)(1), which requires companies listed on The Nasdaq Stock Market to maintain a minimum of \$2,500,000 in stockholders' equity for continued listing. In its annual report on Form 10-K filed on February 27, 2023 for the period ended December 31, 2022, the Company reported stockholders' equity of \$1,787,751, and, as a result, does not currently satisfy Listing Rule 5550(b)(1). The Stockholder Equity Notice also indicated that the Company had a period of 45 calendar days from the date of the Stockholder Equity Notice, or until April 17, 2023, to submit a plan to regain compliance with the stockholders' equity requirement under Nasdaq Listing Rule 5550(b)(1). The Company submitted such a plan to Nasdaq on April 12, 2023. On April 20, 2023, the Company received a letter (the "Extension Notice") from Nasdaq notifying the Company that it has been granted an additional 180-day period, or until August 30, 2023, to regain compliance with Nasdaq Listing Rule 5550(b)(1). On August 31, 2023, the Nasdaq staff notified the Company that it had not met the terms of the Extension Notice. Accordingly, the Nasdaq staff had determined to delist the Company's common stock from Nasdaq, unless the Company timely requests an appeal of the staff's determination to a hearings panel (the "Panel"), pursuant to the procedures set forth in the Nasdaq Listing Rule 5800 Series. The Company requested a hearing before a hearings panel (the "Panel") to appeal the delisting notice from the staff. The Company's hearing with the Panel occurred on October 19, 2023. On November 7, 2023, we were notified by the Panel that the Company's request for continued listing on Nasdaq was granted, subject to the Company demonstrating compliance with the stockholders' equity requirement and bid price requirement on or before January 31, 2024. The Panel subsequently extended this compliance date to February 27, 2024. 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. On May 15, 2024, the Company filed a Quarterly Report on Form 10-Q for the three months ending March 31, 2024, and reported stockholders' equity of \$2,505,450. As of June 30, 2024, the Company had Stockholders' Equity of \$1,642,177.

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.

11. 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 June 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 June 30, 2024, and December 31, 2023, the Company had \$818,591 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 June 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 June 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 NoScan 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 February 2024 initial public offering, and subsequent funding from the April 2024 equity line agreement described in Note 11, will be sufficient to fund current operating plans into the third quarter of 2024, approaching our final maturity repayment of our unsecured non-convertible note, which is due in September 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 non-employee 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 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. Upon the completion of the public offering in February 2024, approximately \$566,200 of offering costs related to the public offering were reclassified to additional paid-in capital (\$310,105 deducted from proceeds, and \$256,094 paid or accrued). Upon the completion of the issuance of shares pursuant to the equity line in the first quarter of 2024, \$133,000 of offering costs 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.

	Balance at December 31, 2023	Change in fair value	Balance at June 30, 2024
Warrant Liability	\$289,165	\$121,326	\$410,491
Derivative Liability	\$18,601	\$18,601	\$37,202
Total	\$307,766	\$139,927	\$447,693

There were no transfers between Level 1, 2, and 3 during the six months ended June 30, 2024. The following table presents changes in Level 3 liabilities measures at fair value for the six months ended June 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.

	Balance at December 31, 2023	Change in fair value	Balance at June 30, 2024
Warrant Liability	\$289,165	\$121,326	\$410,491
Derivative Liability	\$18,601	\$18,601	\$37,202
Total	\$307,766	\$139,927	\$447,693

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.

	Assumption
Warrant Liability	Probability of exercise: 100%
Derivative Liability	Probability of exercise: 100%
Total	Probability of exercise: 100%

As of Dec 31, 2023 As of June 30, 2024 Warrant Liability Warrant Liability Strike Price
\$4.32 \$0.29 Contractual term (years) 5.0 5.0 Volatility (annual) 80.0% 80.0% Risk-free
rate 3.89% 4.39-4.44% Floor Financing price \$2.24 \$0.14 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 Prepaids and other current assets:
Schedule of prepaid and other current assets June 30, 2024 December 31, 2023 Short term
deposits \$50,000 \$50,000 Deferred offering costs 74,648 100,588 Prepaid insurance D&O
241,445 34,769 Prepaid insurance, other 5,010 17,884 Prepaid clinical costs 165,417
Prepaid exchange fees 53,720 Prepaid other 59,117 41,635 Other receivables
154 649,357 245,030 15 Accounts payable Schedule of accounts payable
June 30, 2024 December 31, 2023 Accounts payable \$177,610 \$758,821 Credit cards
payable 1,513 1,714 179,123 760,535 Accrued and other liabilities: Schedule of accrued and
other liabilities June 30, 2024 December 31, 2023 Accrued payroll \$162,887
Accrued bonus 127,875 262,580 D&O financing 126,605 Accrued audit and legal
expenses 40,226 89,082 Accrued interest 58,666 98,685 Accrued board compensation
46,250 92,500 Other accrued liabilities 48,350 151,988 447,972 \$857,722 NOTE 7.
LEASES The Company had no office lease for the quarter ended June 30, 2024, and the year ended December 31,
2023. NOTE 8. INTANGIBLE ASSETS The Company's intangible assets are as follows: Schedule of intangible
assets June 30, 2024 December 31, 2023 Patents and licenses \$2,424,773
\$2,267,251 Other 5,017 5,017 2,429,790 2,272,268 Less: accumulated amortization
(1,193,915) (1,103,645) Intangible assets, net \$1,235,875 \$1,168,623 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 \$45,458 and \$39,940 for
the three months ended June 30, 2024, and 2023, respectively. Amortization expense related to purchased intangible
assets was \$90,270 and \$78,805 for the six months ended June 30, 2024, and 2023, respectively. 16
Patents and trademarks are reviewed at least annually for impairment. No impairment was recorded through June 30,
2024, and December 31, 2023, respectively. Future amortization of intangible assets is as follows: Schedule of future
amortization of intangible assets 2024 \$96,015 2025 192,030 2026 192,030 2027 192,030
2028 and beyond 563,770 Total \$1,235,875 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 June 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 Senior Notes Payable), for cash proceeds of \$1,250,000. The Senior Notes Payable contained an original
issue discount of 15.0% and accrue interest at an annual rate of 8.0%. In September 2023, as agreed to during
the issuance of the Senior Notes Payable, the Company exercised their right to an additional financing, issuing
\$862,500 unsecured senior notes that mature on September 1, 2024 ("the Series B Notes Payable") for cash proceeds of
\$750,000. The Series B Notes Payable contained an original issue discount of 15.0% and accrue 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 Series C Notes Payable), for cash proceeds of \$250,000. The Senior Notes Payable 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 \$296,313 relating to due diligence and legal costs associated with the issuance
of the notes. The Company evaluated the embedded redemption and contingent interest features in the 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 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 Senior Notes Payable and Series C
Notes Payable (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. 17 In connection with the issuance of the Senior Notes Payable
and Series C Notes Payable, 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 are 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 June 30, 2024, the Company recognized \$106,937 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 these 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 notes. Following these exchanges, the remaining

outstanding balance of principal and interest on the 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 \$300,974 of principal and accrued interest on certain unsecured non-convertible notes. Following this payment, the remaining outstanding balance of principal and interest on the notes was \$898,380. This transaction accelerated the recognition of the related note discounts and resulted in a \$111,928 charge. The following table reconciles the aggregate amount for the Senior Notes Payable, Series B Notes Payable, and Series C Notes Payable as well as the unamortized deferred financing costs and debt discounts relating to the derivative liabilities and warrant liabilities.

	June 30, 2024	December 31, 2023
Note Payable	\$862,500	\$2,594,118
Less: Unamortized Discounts and Deferred Financing Costs	(557,582)	(34,475)
Warrants	(34,475)	(235,628)
Deferred financing costs	(50,938)	(675,184)
	(85,413)	(1,468,394)
	\$777,087	\$1,125,724

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 June 30, 2024, and 2023, respectively, and \$25,000 for the six months ended June 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 June 30, 2024, the Company had 8,210,671 common shares outstanding.

Stockholders' Vote "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.

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.

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 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 June 30, 2024, the Company has issued 1,800,000 shares to White Lion for total proceeds of \$3,216,981.

Warrants The following table summarizes the Company's outstanding warrants as of June 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 (2)	\$0.29	77,010	May 16, 2028
November 21, 2023 (2)	\$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

(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 \$0.29 is current through the equity line activity closed April 26, 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 June 30, 2024	Three Months Ended June 30, 2023
Numerator: Net (loss) allocable to common stockholders used to compute basic and diluted loss per common share	\$(1,238,077)	\$(1,464,557)
Denominator: Weighted average shares outstanding used to compute basic and dilutive loss per share	8,208,281	505,485
Weighted average shares issuable for vested restricted stock units	8,743	12,494
	\$8,217,024	\$517,979

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Numerator: Net (loss) allocable to common stockholders used to compute basic and diluted loss per common share	\$(3,637,180)	\$(2,648,017)
Denominator: Weighted average shares outstanding used to compute basic and dilutive loss per share	6,817,419	498,415
Weighted average shares issuable for vested restricted stock units	12,406	9,084
	\$6,829,825	\$507,499

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:

	June 30, 2024	June 30, 2023
Warrants	10,666,674	219,910
Restricted stock units	4,853	43,276
Stock options	169,458	171,176
	10,840,985	434,362

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 the "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 six months ended June 30, 2024.

2015 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:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (In Years)	Balance at December 31, 2023
	169,456	\$31.15	7.5	
Options granted				
Options exercised				
Options forfeited/expired				
Balance at June 30, 2024	169,456	\$31.15	7.0	
Exercisable at December 31, 2023	147,977	\$30.57	7.4	
Exercisable at June 30, 2024	154,971	\$30.80	6.9	

The aggregate intrinsic value of options outstanding at June 30, 2024 is \$0. The aggregate intrinsic value of vested and exercisable options at June 30, 2024 is \$0. As of June 30, 2024, there was approximately \$212,454 of total unrecognized compensation cost related to non-vested stock options, which is expected to be recognized over the next 15 months.

Restricted Stock Units

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

Post-split RSU activity under the 2022 Plan

As follows for the six months ended June 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	(3,953)		
Forfeited	(6,942)		
Nonvested as of June 30, 2024	4,854	\$7.20	

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 six months ended June 30, 2024, was \$40,733. As of June 30, 2024, there was approximately \$2,735 total unrecognized compensation cost related to non-vested RSUs which is expected to be recognized over the next three months. As of June 30, 2024, the Company is obligated to issue 7,539 post-split 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 June

Six months ended June 30, 2024 2023 2024 2023 Sales and marketing \$12,605 \$78,688 \$40,733 \$106,997 Research and development 2,055 2,055 4,110 5,615 General and administrative 55,644 55,888 111,288 106,551 Total share based compensation \$70,305 \$136,631 \$156,131 \$219,162 NOTE 14. SUBSEQUENT EVENTS Common Stock Subscription Agreement On August 12, 2024, we entered into a subscription agreement with an institutional investor, pursuant to which the Company agreed to issue and sell to the investor 400,000 shares of Common Stock of the Company at a price of \$0.29 per share for gross proceeds to the Company of \$116,000. The shares were issued pursuant to the Company's Form 1-A Offering Statement initially filed by the Company with the Securities and Exchange Commission under the Securities Act of 1933, as amended on June 11, 2024 and qualified on June 24, 2024. Exchange Agreements In May, September and November 2023 the Company issued \$2,594,118 aggregate principal amount of unsecured non-convertible notes to certain accredited investors. 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 these 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 notes. Following these exchanges, the remaining outstanding balance of principal and interest on the notes was \$1,145,037. On March 6, 2024, the Company paid \$300,973 of principal and accrued interest on certain unsecured non-convertible notes. Following this payment, the remaining outstanding balance of principal and interest on the notes was \$898,380. On August 14, 2024, the Company entered into an additional exchange agreement with the accredited investors to exchange \$930,052 principal and accrued interest on these notes for newly issued shares of Series B convertible preferred stock. Following this exchange, there was no remaining outstanding balance of principal and interest on the notes.

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

	Three Months Ended June 30, 2024	2024	2023	\$ Change	Revenue	2024	2023	\$ Change																																																											
Revenue	\$10,971	\$17,072	(6,101)	Cost of revenue	23,294	19,301	3,993	Gross profit (loss)	(12,323)	(2,229)	(10,094)	Operating expenses	225,037	207,790	17,247	Research and development	202,102	250,006	(47,904)	General and administrative	696,099	946,175	(250,076)	Total operating expenses	1,123,238	1,403,971	(280,733)	(Loss) from operations	(1,135,561)	(1,406,200)	270,639	Other income (expense)	Loss on exchange of debt	Interest expense	(127,848)	(47,139)	(80,709)	Changes in fair value of warrant and derivative liabilities	25,357	(11,800)	37,157	Other, net	(25)	583	(608)	Total other (expense)	(102,516)	(58,356)	(44,160)	(Loss) before income taxes	(1,238,077)	(1,464,557)	226,480	Income tax provision	Net income (loss)	(1,238,077)	(1,464,557)	226,480	Net (loss) allocable to common stockholders	(0.15)	(2.83)	2.68	Weighted average shares of common stock outstanding, basic and diluted	8,217,024	517,979	7,699,045	Total revenues. Total revenues for the quarter ended June 30, 2024 were \$10,971, which was a decrease of \$6,101, or 36%, from \$17,072 for the quarter ended June 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 \$23,294 for the quarter ended June 30, 2024, compared to \$19,301 for the quarter ended June 30, 2023, an increase of 21%. 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 \$225,037 for the quarter ended June 30, 2024, compared to \$207,790 for the quarter ended June 30, 2023, an increase of \$17,247, or 8%. 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. Research and Development. Research and development expenses were \$202,102 for the quarter ended June 30, 2024, compared to \$250,006 for the quarter ended June 30, 2023, a decrease of \$47,904, or 19%. There was no accrued bonus expense in the quarter ended June 30, 2024, along with a general decrease in required regulatory and quality system work. General and Administrative. General and administrative expenses were \$696,099 for the quarter ended June 30, 2024, a decrease of \$250,076 or 26%, from \$946,175 for the quarter ended June 30, 2023. For the quarter ended June 30, 2024, there was no accrued bonus expense, D&O insurance premiums were reduced, and legal fees were less compared to the quarter ended June 30, 2023, when the Company issued debt. These reductions in expense were somewhat offset by increased investment in investor relations during the quarter ended June 30, 2024. Other Income (Expense). Interest expense was \$127,848 for the quarter ended June 30, 2024, an increase of \$80,709 from the \$47,139 incurred during the quarter ended June 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'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 June 30, 2024, the Company recorded a favorable adjustment in fair value of \$25,357. For the Six Months Ended June 30, 2024, and 2023: The following table summarizes our results of operations for the six months ended June 30, 2024, and 2023.

	2024	2023
Revenue	\$21,085	\$42,542
Cost of revenue	\$42,770	\$36,754
Gross profit (loss)	\$(21,685)	\$5,788
Operating expenses:		
Sales and marketing	\$406,094	\$385,074
Research and development	\$441,143	\$454,405
General and administrative	\$1,541,947	\$1,753,774
Total operating expenses	\$2,389,184	\$2,593,253
Operating income (loss)	\$(2,410,869)	\$(2,587,464)
Other income (expense):		
Loss on exchange of debt	\$(1,066,732)	\$(1,066,732)
Loss on extinguishment of debt	\$(111,928)	\$(111,928)
Interest expense	\$463,672	\$48,519
Changes in fair value of warrant and derivative liabilities	\$323,041	\$(11,800)
Other, net	\$92,980	\$(234)
Total other (expense)	\$(1,226,311)	\$(60,552)
Income before income taxes	\$(3,637,180)	\$(2,648,017)
Income tax provision	\$0	\$0
Net income (loss)	\$(3,637,180)	\$(2,648,017)
Net (loss) allocable to common stockholders	\$0	\$(2,648,017)
Net (loss) per share allocable to common stockholders	\$(0.53)	\$(4.69)
Weighted average shares of common stock outstanding, basic and diluted	6,829,825	5,074,999

Total revenues for the six months ended June 30, 2024 were \$21,085, which was a decrease of \$21,457, or 50%, from \$42,542 for the six months ended June 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 \$42,770 for the six months ended June 30, 2024, compared to \$36,754 for the six months ended June 30, 2023, an increase of 16%, was driven by a price increase related to hosting costs and 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 \$406,093 for the six months ended June 30, 2024, compared to \$385,074 for the six months ended June 30, 2023, an increase of \$21,020, or 6%. 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 \$441,143 for the six months ended June 30, 2024, compared to \$454,405 for the six months ended June 30, 2023, a decrease of \$13,262, or 3%. There was no accrued bonus expense in the six month period ended June 30, 2024, along with a general decrease in required regulatory and quality system work.

General and Administrative. General and administrative expenses were \$1,541,947 for the six months ended June 30, 2024, a decrease of \$211,827 or 12%, from \$1,753,774 for the six months ended June 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 audit costs related to the February 2024 public offering and increased investment in investor relations.

Other Income (Expense). Interest expense was \$463,672 for the six months ended June 30, 2024, an increase of \$415,153 from the \$48,519 incurred during the six months ended June 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 six months ended June 30, 2024, on two 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 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 six months ended June 30, 2024, the Company recorded a favorable adjustment in fair value of \$323,041. Other net income of \$92,980 for the six months ended June 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.

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. Substantially all of our revenues are generated from contracts with customers in the United States.

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 CPAs' 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 February 2024 initial public offering, and subsequent funding from the April 2024 equity line agreement described in Note 11, will be sufficient to fund current operating plans into the third quarter of 2024, approaching our final maturity repayment of our unsecured non-convertible note, which is due in September 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 private placements of preferred shares and debt financing, PPP loans that were forgiven, an equity line, an initial public offering on April 21, 2022, and a secondary public offering on February 27, 2024. During the six months ended June 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.

As of June 30, 2024, the Company had cash, including \$10,000 of restricted cash, of \$1,182,687. The Company believes that this cash will be sufficient to fund current operating plans into the third quarter of 2024, approaching the maturity repayment of our unsecured non-convertible note, which is due in September 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:

	Six Months Ended June 30, 2024	2023
Cash used in operating activities	\$ (3,293,096)	\$ (1,960,653)
Cash used in investing activities	\$ (157,523)	\$ (72,634)
Cash provided by financing activities	\$ 3,602,237	\$ 1,165,000
Net increase (decrease) in cash	\$ 151,618	\$ (868,287)

Operating activities During the six months ended June 30, 2024, operating activities used \$3,293,096 of cash. The Company significantly reduced accounts payable, primarily legal expenses that had accrued overtime, and significantly reduced accrued expenses including payroll, bonuses, board compensation, and audit fees. During the six months ended June 30, 2023, operating activities used \$1,960,653 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 six months ended June 30, 2024, and 2023, investing activities used \$157,523 and \$72,634 of cash, respectively. These investing activities consisted almost entirely of patent and license maintenance.

Financing activities During the six months ended June 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. 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.

During the six months ended June 30, 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 between January 4 and January 8, 2024, and 1,050,000 newly issued common shares for proceeds of \$304,500 on April 26, 2024. Equity line issuance costs were \$262,744. During the six months ended June 30, 2024, the Company paid \$300,973 of principal and accrued interest on certain unsecured non-convertible notes. Following this payment, the remaining outstanding balance of principal and interest on the notes was \$898,380.

During the six months ended June 30, 2024, the Company entered into a series of exchange agreements (the "Exchange Agreements") with accredited investors to exchange principal and accrued interest on these 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 notes. Following these exchanges, the remaining outstanding balance of principal and interest on the notes was \$1,145,037.

During the six months ended June 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 six months ended June 30, 2023, the Company issued an unsecured promissory note in the amount \$1,250,000, net of \$203,576 of issuance costs.

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. A Contractual obligations and commitments A The Company does not have any contractual obligations not otherwise on our balance sheet as of June 30, 2024. A Off-balance sheet arrangements A 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. A Recently issued accounting pronouncements A 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. A A A A 30 A A A Emerging growth company and smaller reporting company status A 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. A 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. A Item 3. Quantitative and Qualitative Disclosures About Market Risk. A 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. A Item 4. Controls and Procedures. A Evaluation of Disclosure Controls and Procedures A 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. A 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. A During the six months ended June 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. A A A A 31 A A A Changes in Internal Control over Financial Reporting A 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. A The Company did engage an outside firm in the third quarter of 2023 to provide accounting support and increased segregation of duties. During the six months ended June 30, 2024, the Company continued to work with the outside firm to establish best practices over time that enhance internal control over financial reporting. A 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 June 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. A A A A A A A A 32 A A A PART II "OTHER INFORMATION" A Item 1. Legal Proceedings. A 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. A Item 1A. Risk Factors. A 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. A Item 2. Unregistered Sales of Equity Securities and Use of Proceeds. A Not applicable. A Item 3. Defaults Upon Senior Securities A None. A Item 4. Mine Safety Disclosures. A Not applicable. A Item 5. Other Information. A During the quarter ended June 30, 2024, no director or officer of the Company adopted or terminated or otherwise had in effect a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K. A A A A 33 A A A Item 6. Exhibits. A 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
1.1	IPO Underwriting Agreement dated April 21, 2022	8-K	04-27-2022
1.2	Form of 2024 Placement Agent Agreement	S-1/A	03-23-2024
3.1	Amended and Restated Certificate of Incorporation of the Company	8-K	04-27-2022
3.2	Certificate of Amendment dated January 3, 2024 to the Amended and Restated Certificate of Incorporation	8-K	01-04-2024
3.3	Bylaws of the Company	8-K	04-27-2022
3.4	Certificate of Designation of Series A Preferred Stock	8-K	02-17-2023
3.5	Amendment to Bylaws dated June 12, 2024	8-K	06-18-2024
4.1	Form of Common Stock Certificate	10-Q	06-06-2022
4.2	Form of IPO Public Warrant	8-K	04-27-2022
4.3	Form of IPO Representative's Common Stock Purchase Warrant	8-K	04-27-2022
4.4	Description of Securities	10-Q	06-06-2022
4.5	2024 Form of Common Warrant	S-1/A	02-06-2024
4.6	2024 Form of Prefunded Warrant	S-1/A	02-06-2024
4.7	2024 Form of Warrant Agency Agreement	S-1/A	02-23-2024
10.1	# Employment Agreement of Jeff Thramann	S-1/A	03-23-2022
10.2	# Employment Agreement of Brent Ness	S-1/A	03-23-2022
10.3	# Employment Agreement of John Lorbiecki	S-1/A	03-23-2022
10.4	# Form of Aclarion, Inc. 2022 Equity Incentive Plan	S-1	01-06-2022
10.5	Senior Secured Bridge Note	S-1/A	03-04-2022
10.6	License Agreement with UCSF the Regents of the University of California	S-1	01-06-2022
10.7	Amendment to UC License Agreement	S-1/A	03-04-2022
10.8	** NuVasive Amended and Restated Commission Agreement dated February 28, 2020	S-1/A	03-23-2022
10.9	Amended and Restated Investor Rights Agreement dated July 27, 2017	S-1/A	03-23-2022
10.10	First Amendment to Amended and Restated Investor Rights Agreement dated February 20, 2020	S-1/A	03-23-2022
10.11	NuVasive SAFE (Simple Agreement for Future Equity) dated February 28, 2020	S-1/A	03-23-2022
10.12	** Right of First Offer Agreement	S-1/A	03-23-2022
10.13	First Amendment to Right of First Offer Agreement	S-1/A	03-23-2022
10.14	Second Amendment to Right of First Offer Agreement	S-1/A	03-23-2022
10.15	Convertible Note and Warrant Purchase Agreement	S-1/A	03-23-2022
10.16	Warrant Agent Agreement dated April 21, 2022	8-K	04-27-2022
10.17	Siemens Strategic Collaboration Agreement	S-1	01-06-2022
10.18	# Aclarion, Inc. 2022 Equity Incentive Plan	S-1	01-06-2022
10.19	# Form of Option Grant Notice and Stock Option Agreement	S-1	01-06-2022
10.20	# Nocimed, Inc. 2015 Stock Plan	S-8	05-26-2022
10.21	# Form of Option Grant Notice and Stock Option Agreement	S-8	05-26-2022
10.22	Securities Purchase Agreement dated February 16, 2023 between Aclarion, Inc. and Jeffrey Thramann	8-K	02-17-2023
10.23	Form of Securities Purchase Agreement	8-K	05-17-2023
10.24	Form of Unsecured Non-Convertible Note	8-K	05-17-2023
10.25	Form of Common Stock Warrant	8-K	05-17-2023
10.26	Form of Registration Rights Agreement	8-K	05-17-2023
10.27	Waiver Related to Unsecured Non-Convertible Notes	8-K	08-14-2023
10.28	White Lion Purchase Agreement	8-K	10-10-2023
10.29	White Lion Registration Rights Agreement	8-K	10-10-2023
10.30	2024 Form of Lock-Up Agreement	S-1/A	02/23/2024
10.31	2024 Form of Securities Purchase Agreement	S-1/A	02/23/2024
10.32	Form of Securities Purchase Agreement dated November 21, 2023	8-K	11-22-2023
10.33	Form of Unsecured Non-Convertible Note dated November 21, 2023	8-K	11-22-2023
10.34	Form of Common Stock Warrant dated November 21, 2023	8-K	11-22-2023
10.35	Form of Registration Rights Agreement dated November 21, 2023	8-K	11-22-2023
10.36	Form of Exchange Agreement	8-K	01-23-2024
10.37	Form of Subscription Agreement	1-A/A	06-20-2024
31.1	Section 302 Certification by the Corporation's Chief Executive Officer		
31.2	Section 302 Certification by the Corporation's Chief Financial Officer		
32.1	Section 906 Certification by the Corporation's Chief Executive Officer		
32.2	Section 906 Certification by the Corporation's Chief Financial Officer		
97.1	Aclarion Clawback Policy	10-K	03-28-2024

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.

35 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.

A ACLARION, INC.

By: /s/ John Lorbiecki

John Lorbiecki

Chief Financial Officer (Principal Financial and Accounting Officer)

Date: August 14, 2024

36 EXHIBIT 31.1 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 June 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 prepared¼ Â Â Â Â 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 principles¼ Â Â Â Â c) Evaluated the effectiveness of the registrantâ€™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 evaluation¼ and Â Â Â Â d) Disclosed in this report any change in the registrantâ€™s internal control over financial reporting that occurred during the registrantâ€™s most recent fiscal quarter (the registrantâ€™s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrantâ€™s internal control over financial reporting. Â 5. The registrantâ€™s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrantâ€™s auditors and the audit committee of the registrantâ€™s board of directors (or persons performing the equivalent functions): Â Â 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 registrantâ€™s ability to record, process, summarize and report financial information¼ and Â Â Â Â b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrantâ€™s internal control over financial reporting. Â August 14, 2024 Â Â Â /s/ Brent Ness Â Brent Ness Â Chief Executive Officer (Principal Executive Officer) Â EXHIBIT 31.2Â CERTIFICATION OF PRINCIPAL FINANCIAL OFFICERPURSUANT 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 2002Â I, John Lorbiecki, certify that:Â 1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2024, of Aclarion, Inc. Â Â 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 report¼ Â Â 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 report¼ Â Â 4. The registrantâ€™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: Â Â 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 prepared¼ Â Â Â Â 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 principles¼ Â Â Â Â c) Evaluated the effectiveness of the registrantâ€™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 evaluation¼ and Â Â Â Â d) Disclosed in this report any change in the registrantâ€™s internal control over financial reporting that occurred during the registrantâ€™s most recent fiscal quarter (the registrantâ€™s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrantâ€™s internal control over financial reporting. Â 5. The registrantâ€™s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrantâ€™s auditors and the audit committee of the registrantâ€™s board of directors (or persons performing the equivalent functions): Â Â 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 registrantâ€™s ability to record, process, summarize and report financial information¼ and Â Â Â Â b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrantâ€™s internal control over financial reporting. Â August 14, 2024 Â Â Â /s/ John Lorbiecki Â John Lorbiecki Â Chief Financial Officer (Principal Financial and Accounting Officer) Â EXHIBIT 32.1Â CERTIFICATION PURSUANT TO 18 U.S.C.SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906OF THE SARBANES-OXLEY ACT OF 2002Â In connection with the QuarterlyReport of Aclarion, Inc. (the â€œCompanyâ€) on Form 10-Q, for the period ended June 30, 2024, as filed with the Securities andExchange Commission, I, Brent Ness, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuantto Section 906 of the Sarbanes-Oxley Act of 2002, that:Â (1) The Quarterly Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934¼ and Â Â (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company. Â August 14, 2024 Â Â Â /s/ Brent Ness Â Brent Ness Â Chief Executive Officer (Principal Executive Officer) Â EXHIBIT 32.2Â CERTIFICATION PURSUANT TO 18 U.S.C.SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906OF THE SARBANES-OXLEY ACT OF 2002Â In connection with the QuarterlyReport of Aclarion, Inc. (the â€œCompanyâ€) on Form 10-Q, for the period ended June 30, 2024, as filed with the Securities andExchange Commission, I, John Lorbiecki, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adoptedpursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:Â (1) The Quarterly Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934¼ and Â Â (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company. Â August 14, 2024 Â Â Â /s/ John Lorbiecki Â John Lorbiecki Â Chief Financial Officer (Principal Financial and Accounting Officer) Â Â