

Aclarion, Inc.

Initiating Coverage with a BUY and \$1.60 Price Target

Aclarion's NOCISCAN has been demonstrated to improve back surgery outcomes and is beginning to gain traction, providing a powerful catalyst for stock value over the medium term.

Initiating with BUY: We are initiating coverage of Aclarion, Inc. with a BUY rating. Aclarion, Inc. is a healthcare technology company leveraging Magnetic Resonance Spectroscopy and advanced signal processing algorithms to diagnose degenerative disc disease and improve clinical outcomes in spinal disc surgery.

Clear go-to-market strategy and strong value proposition: Aclarion's business model centers around providing their proprietary, non-invasive medical technology NOCISCAN, which helps physicians objectively measure and visualize pain biomarkers in patients suffering from lower back pain. Aclarion generates revenue by selling this technology as a diagnostic service to healthcare providers and institutions. By enabling providers to pinpoint the source of discogenic pain, Aclarion aims to reduce unnecessary surgeries and treatments, thereby offering a cost-effective solution for providers, payers, and patients.

Lower back pain represents the single largest spend in healthcare. Over 550,000 lower back surgeries are performed each year in the US, and the US lumbar spine diagnostics and treatment market is estimated at \$40 billion annually. With 16 million chronic low back pain sufferers in the US each year and 266 million patients with degenerative spine disease and lower back pain worldwide, Aclarion's addressable market is vast.

Aclarion has successfully garnered support from key opinion leaders (KOLs) and medical payers. By showcasing robust clinical data that highlights NOCISCAN's potential to reduce unnecessary surgeries and improve patient outcomes, Aclarion has convinced KOLs to advocate for their technology. Additionally, medical payers have started to recognize the potential savings from avoided surgeries and ineffective treatments. On June 26, 2024, the company announced initial payer coverage of NOCISCAN by AXA insurance throughout Greater London in a recent move to expand its business footprint outside the US. Payer coverage is the most important catalyst to drive new revenue.

More fundraising required: With \$2.1 million in cash exiting the March fiscal quarter, and a current cash burn rate of ~\$1.5 million per quarter, Aclarion will need to raise significant capital to fund its roadmap. In February 2024, the company completed a public offering, raising gross proceeds of approximately \$3.0 million, providing runway through the current (Q2 FY24) quarter. We estimate the company will need to raise an additional \$4-5 million in 2H FY24.

Initiating estimates: We are initiating estimates of (\$0.99) and (\$0.95) for FY24, and FY25, respectively. Our revenue estimates are \$0.1 million and \$0.3 million for FY24 and FY25, respectively.

Our 12-month price target of \$1.60 is based on an NPV analysis: ACON is currently trading at an historical low, despite accelerating commercial progress. We calculate a 12-month price target for shares of ACON of \$1.60, based on an NPV analysis. We believe this valuation appropriately balances out the company's business risks with the company's high growth prospects and significant stock upside potential.

Company Description

Based in Colorado, Aclarion is a healthcare diagnostic company that uses AI-driven imaging to improve clinical treatment of lower back and neck pain.

COVERAGE INITIATION

Rating: BUY

Ticker: ACON

Price: \$0.30

Target: \$1.60

Stock Data

Exchange:	NasdaqCM
52-week Range:	\$0.27 – 11.50
Shares Outstanding (million):	8.2
Market cap (\$million):	\$2.5
EV (\$million):	\$1.1
Debt (\$million):	\$0.7
Cash (\$million):	\$2.1
Avg. Daily Trading Vol. (\$ million):	\$0.7
Float (million shares):	8.0
Short Interest (million shares):	0.3
Dividend, annual (yield):	NA

Revenues (US\$ million)

	<u>2024E</u>	<u>2025E</u>
	<u>(Cur.)</u>	<u>(Cur.)</u>
Q1 Mar	0.01A	0.03E
Q2 Jun	0.03E	0.08E
Q3 Sep	0.03E	0.09E
Q4 Dec	<u>0.02E</u>	<u>0.07E</u>
Total	0.1E	0.3E
EV/Revs	NM	NM

Earnings per Share (pro forma, \$)

	<u>2024E</u>	<u>2025E</u>
	<u>(Cur.)</u>	<u>(Cur.)</u>
Q1 Mar	(0.44)A	(0.22)E
Q2 Jun	(0.23)E	(0.28)E
Q3 Sep	(0.19)E	(0.23)E
Q4 Dec	<u>(0.19)E</u>	<u>(0.23)E</u>
Total	(0.99)E	(0.95)E
P/E	NA	NA

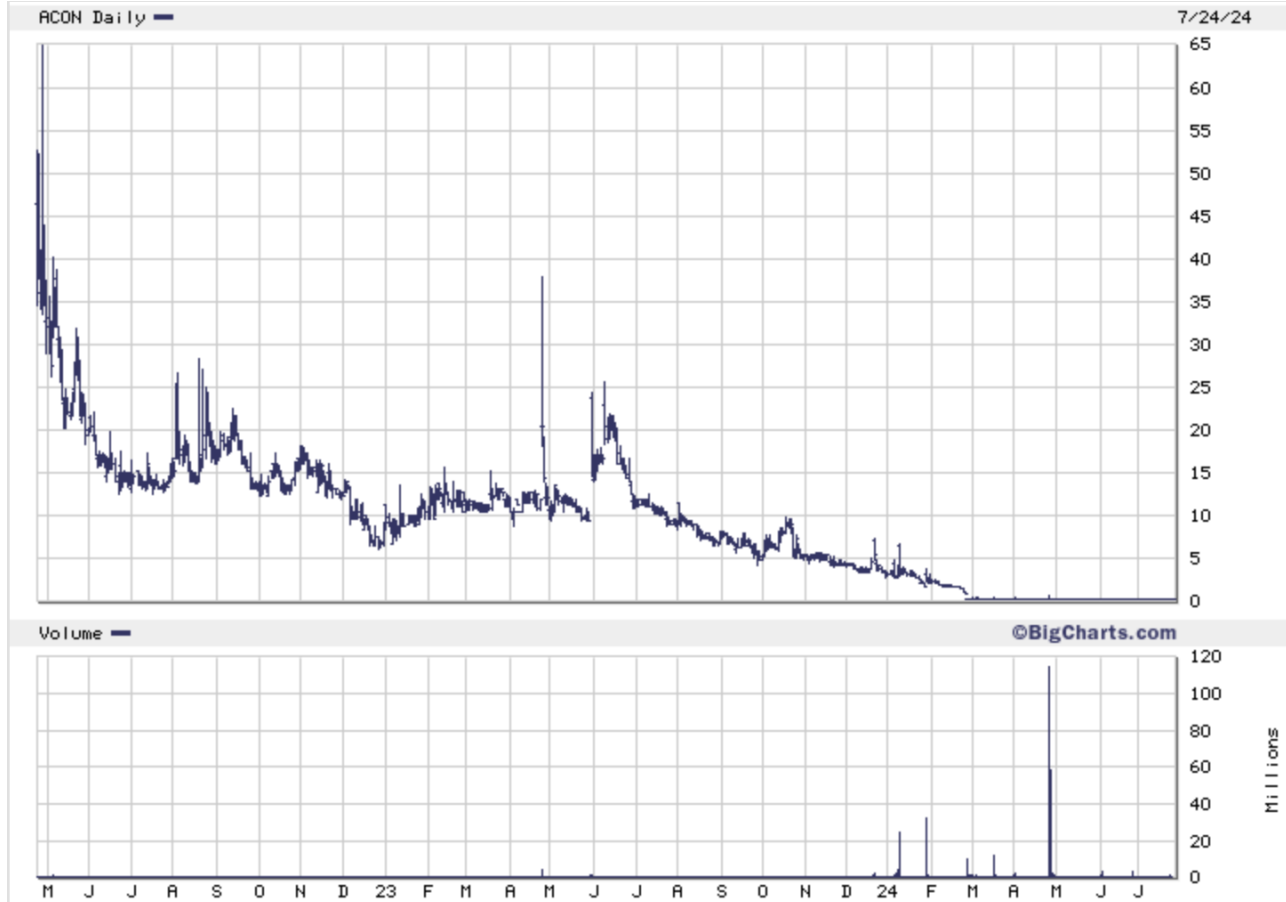
Important Disclosures

Ascendant Capital Markets LLC seeks to do business with companies covered by its research team. Consequently, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making an investment decision.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report, beginning on page 22.

INVESTMENT THESIS

Exhibit 1: Aclarion, Inc. Daily Stock Price Since IPO (April 2022)



Source: <https://bigcharts.marketwatch.com/>

Initiating coverage of Aclarion, Inc. with a BUY rating and a 12-month price target of \$1.60

Aclarion, Inc. is tackling one of society's most pervasive chronic medical issues: low back pain. Aclarion's NOCISCAN software platform, uses Magnetic Resonance Spectroscopy (MRS) to identify the precise source of lower lumbar pain, clarifying treatment options and dramatically improving surgical outcomes. The current standard for diagnosing lower lumbar dysfunction (discography) involves piercing the vertebrae with a long needle and asking patients to gauge the pain produced. The test is both painful and imprecise, with as many as 50% of resulting surgeries targeting the wrong lumbar. By increasing precision and providing an alternative to discography, NOCISCAN provides strong value for both the patient and medical care providers. Aclarion's platform consists of two key products: NOCICALC and NOCIGRAM. NOCICALC processes raw MRS data into spectra and performs biomarker calculations, while NOCIGRAM further refines these results into NOCISCORES, which correlate to pain biomarkers on a 0-10 scale.

Exhibit 2: Aclarion, Inc. Investment Highlights

Key Takeaways



- ✓ Address a leading cause of healthcare expenditures in the U.S. – up to \$134.5B market ¹
- ✓ Industry 1st noninvasive diagnostic with strong clinical evidence of value
- ✓ 39 issued US & International patents with another 13 pending – supports a platform technology
- ✓ CPT codes issued & regulatory path secured in US, EU & UK – gateway to commercialization
- ✓ Strong value proposition for patients, doctors, imaging centers and payers
- ✓ Established path to success for AI algorithms in heart disease and stroke
- ✓ Successful management team with relevant industry knowledge

¹ Dieleman JL. JAMA. (2020) 323(9)
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Source: Company Reports


In January 2021, Aclarion achieved a significant milestone by securing CPT Category III codes for its NOCISCAN technology. This achievement is pivotal as it enables healthcare providers to bill for the use of NOCISCAN, facilitating insurance reimbursement and streamlining the integration of NOCISCAN into clinical practice. The CPT codes specifically cover the acquisition and post-processing of MRS data to identify discogenic pain, underscoring the clinical utility and relevance of NOCISCAN.

Low back pain is a multi-billion-dollar problem afflicting tens of millions in the US and hundreds of millions. The US lumbar spine diagnostics and treatment market is estimated at \$40 billion annually, with the broader low back and neck pain market valued at \$135 billion. As an indicator of Aclarion's opportunity, we estimate that if the company becomes the standard of care for US lumbar disc surgery diagnosis, it could capture approximately \$370 million in annual revenues, calculated as 550,000 surgeries times revenues of ~\$880 per surgery, with an even greater opportunity internationally. Note: though Aclarion's revenue per scan are currently closer to \$1,400, we use a more conservative figure of \$880 to account for potential bargaining on the part of payers.

Initial success demonstrated in published studies. Published in the European Spine Journal in 2019 and 2023 the Gornet studies showed that NOCISCAN has a sensitivity of 100% and specificity of 80% in identifying painful lumbar discs. Currently, Aclarion is advancing NOCISCAN through additional clinical validation, including the CLARITY and LIFEHAB trials, which aim to demonstrate the product's efficacy and economic benefits. These studies are likely to further reinforce NOCISCAN's value proposition in the clinical setting.


Exhibit 3: Aclarion, Inc. Reimbursement Landscape

Reimbursement Landscape




CPT Category III Codes secured January 1, 2021


CPT Code	Description
0609T	MRS, determination & localization of discogenic pain (cervical, thoracic, or lumbar); acquisition of single voxel data, per disc. in 23 discs – PAID TO IMAGING CENTER
0611T	MRS, determination & localization of discogenic pain (cervical, thoracic, or lumbar); postprocessing for algorithmic analysis of biomarker data for determination of relative chemical differences between discs – PAID TO ACLARION



Transition to Category I codes



Increase volume of Category III code billing



Partner with surgeon KOL's & societies to engage payers

International Society for the Advancement of Spine Surgery indicates MRS as a SOC alternative to discogram

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Source: Company Reports

Aclarion has made significant progress towards market adoption. Aclarion's commercialization plan involves direct sales and partnerships, supported by regulatory approvals and collaborations with KOL surgeons to drive adoption. The company is expanding its market presence through alliances with imaging centers and healthcare providers, ensuring broad access to NOCISCAN. For example, the company has partnered with ATEC Spine, Inc. to integrate NOCISCAN with ATEC's Alpha Informatix platform. Additionally, Aclarion has expanded NOCISCAN availability at the Barrow Neurological Institute in Phoenix, AZ, and in June 2024, the company announced initial payer coverage of NOCISCAN by AXA insurance throughout Greater London.

Strong IP portfolio complements the company's clinical validation. Aclarion has built a broad intellectual property portfolio with 22 issued US patents and 17 international patents, covering key innovations in MRS post-processing and pain biomarkers.

Strong and focused senior leadership team. Aclarion's core team comprises experienced professionals with deep expertise in medical technology, healthcare, and business development. CEO Brent Ness brings valuable insights from his roles at HeartFlow and Medtronic, while Executive Chairman Dr. Jeffrey Thramann, a neurosurgeon and serial entrepreneur, provides strategic vision and industry knowledge. The team's collective experience and proven track record in driving innovation and growth position Aclarion for long-term success.

AI upgrade cycle puts Aclarion on a path of continual improvement. The launch of NOCISCAN 2.7 enhances ease of use, scalability, and security, setting the stage for NOCISCAN 3.0 with advanced AI algorithms. Like HeartFlow and Cleerly, which recently achieved FDA clearance via the 510(k) pathway, Aclarion aims to improve diagnostic accuracy and reliability via the use of continuously improving AI.

Increasing adoption of NOCISCAN by payers provides revenue and stock price catalyst. As NOCISCAN adoption increases, driven by clinical validation and strategic partnerships, Aclarion is well-positioned to achieve substantial revenue growth. Key indicators to focus on include MRI activations by key opinion leaders, increased scan volumes and favorable coverage decisions from local payers. As news of uptake continues to come through, we believe the market is likely to catalyze significant stock price appreciation.

Exhibit 4: Gornet Study and First Big Clinical Win

Better Surgical Outcomes

Gornet et al

2019	139	85%	63%	2 year
Gornet study published in European Spine Journal ¹	139 cLBP patients with 73 undergoing surgery	85% of patients improved if all Nociscan positive discs treated ²	63% of patients improved if a Nociscan positive disc was not treated ²	Durable at 2 year follow up ²

Published in the European Spine Journal in 2019 & 2023

¹ Gornet et al. Magnetic resonance spectroscopy (MRS) can identify painful lumbar discs and may facilitate improved clinical outcomes of lumbar surgeries for discogenic pain. European Spine Journal. 2019; 28: 674-687

² Gornet et al. Magnetic resonance spectroscopy (MRS) identification of chemically painful lumbar discs leads to improved 6-12-24 month outcomes for discogenic low back pain surgeries. European Spine Journal. 2023; 32(6): 1973-1984

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Source: Company Reports

Exhibit 5: Aclarion, Inc. Key Catalyst for Revenue Growth

Local Payer Coverage Decisions – Key Catalyst

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graph TD
    A[KOL Rx  
• Nociscan utilization] --> B[Evidence  
• KOL evidence  
• Pre-existing evidence]
    B --> C[LCD  
• Health insurers  
• Employers  
• Workers comp]
    
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Key Near Term Catalysts

- MRI activations for KOLs
- Increased scan volumes
- Coverage decision from local payers

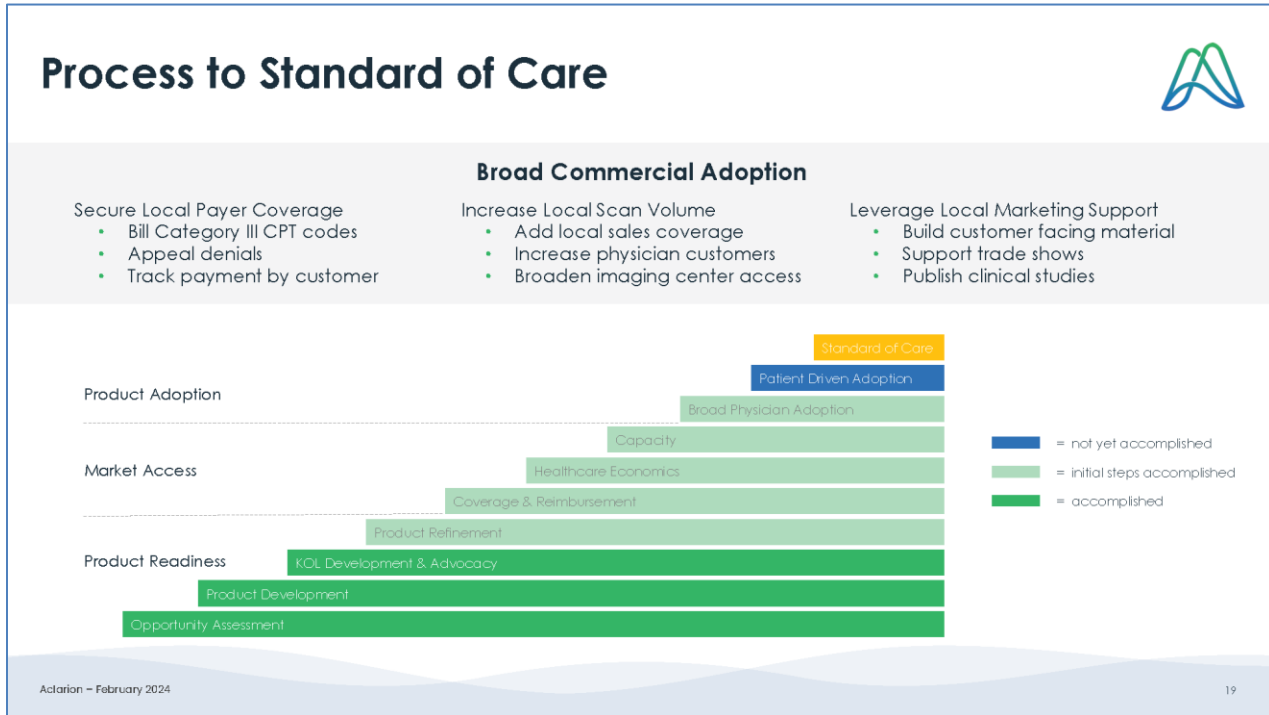
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Source: Company Reports

Valuation: ACON represents attractive risk/reward as the stock price is poised to benefit from accelerated market adoption of their flagship product: NOCISCAN

We project 12-month upside potential to \$1.60 per share as the company accelerates market adoption of NOCISCAN. To reach our 12-month price target we assume a conservative 10% peak market share against the backdrop of approximately 550,000 annual lower back surgeries in the US, resulting in an annual market opportunity of \$48.4 million for Aclarion. Our 12-month price target represents over 4x upside from the current stock price.

Exhibit 6: Aclarion, Inc. Roadmap to Standard of Care



Source: Company Reports

INVESTMENT RISKS

Competition:

The commercial success of Aclarion's NOCISCAN technology relies heavily on achieving substantial market acceptance among patients, clinicians, and imaging facilities. The company must increase awareness, drive adoption, and secure referrals from spine surgeons and pain management physicians. However, competition from alternative diagnostic methods may hinder market penetration. Competitors may develop more effective or less expensive diagnostic tools, challenging Aclarion's market position. Difficulty demonstrating broad clinical success beyond initial studies could impede the adoption of its technology, affecting sales and revenue growth. The company's reliance on the Gornet studies for validation makes it vulnerable to scrutiny and potential loss of credibility if further clinical validation does not materialize. Staying ahead in innovation and maintaining competitive pricing is essential to counteract the threats posed by other technologies and products in the market.

Regulatory Compliance:

Securing reimbursement for procedures using Aclarion's diagnostic technology is vital for its commercial success. The company currently relies on Category III CPT codes, but the transition to permanent Category I CPT codes is necessary for broader adoption. Failure to achieve adequate reimbursement rates or to convince payers of the value of Aclarion's technology could diminish sales and profitability. Aclarion's ability to market and sell its products depends on adhering to evolving regulatory standards. Any failure to secure or maintain necessary approvals could result in market withdrawal and significant revenue loss. Additionally, regulatory changes or non-compliance with established protocols can lead to substantial legal and financial repercussions, impacting the company's operational capabilities and market access.

Access to Capital:

Aclarion has a history of net losses and anticipates continuing to incur losses for the foreseeable future. The company's accumulated deficit totaled \$44.3 million as of December 31, 2023, with most of this incurred before the company went public. The company's ability to sustain operations depends on its capacity to secure additional funding. Failure to raise capital when needed, or on acceptable terms, could force Aclarion to delay, reduce, or eliminate its development and commercialization efforts.

Reliance on Key Personnel, Third-Party Vendors and Partners:

Aclarion's success is highly dependent on its ability to attract and retain skilled personnel, including senior management, engineers, sales professionals, and clinical trial specialists. The competition for talent in the medical technology sector is intense, and Aclarion may struggle to hire and retain qualified individuals on acceptable terms. Furthermore, the departure of key personnel could delay product development and disrupt business operations, leading to potential setbacks in achieving strategic goals. Aclarion's operations depend on third-party vendors and partners for development, manufacturing, and commercialization. Any failure by these parties to meet their obligations could disrupt Aclarion's business, delay product launches, and affect financial performance. An example is Siemens, which produces most MRI scanners used to implement MRS scans using NOCISCAN. Any disruption in Aclarion's ability to leverage compatibility with Siemens scanners could hamper the company's growth.

Intellectual Property Protection:

Protecting its intellectual property is crucial for Aclarion to maintain a competitive edge. The company relies on a combination of patents, trade secrets, and non-disclosure agreements to safeguard its technology. However, the medical device industry is highly competitive and dynamic, creating a risk that Aclarion's patents may not be sufficiently robust to prevent competitors from developing similar or superior technologies. Furthermore, the validity and enforceability of patents can be challenged, potentially resulting in the loss of key IP rights. Changes in patent laws or their interpretation could weaken Aclarion's ability to obtain new patents or enforce existing ones, thereby undermining its market position and operational viability.

VALUATION

12-month price target of \$1.60 based on an NPV Model

Our 12-month target price of \$1.60 is based on a Net Present Value model. Our NPV model assumes a conservative market share capture of 10% over the next 5 years. Looking at the number of lower back surgeries that take place every year in the US (~550,000), times an estimated net revenue opportunity of \$880 paid to Aclarion each time the NOCISCAN procedure is used yields a projected annual market opportunity of \$48.4 million. Note: the company is currently charging over \$1,200 per procedure, but we are using \$880 for conservatism in anticipation of price bargaining by large payers.

Discounting peak projected revenues to net present value, adding net current cash, subtracting expenses and the estimated additional capital required to realize these opportunities, we come up with a current value for existing shareholders of \$13.1 million, or \$1.60 per share. We acknowledge that Aclarion is in the early stages of the go-to-market phase, thus making its valuation subject to great uncertainty. However, we believe our conservative market share assumptions and a high discount rate of 18% used in the NPV calculation accounts for this.

Aclarion is strategically advancing its NOCISCAN technology towards becoming the standard of care by securing backing from influential KOLs and demonstrating compelling economic value. The company has already scored some big wins:

- Getting CPT Category III Codes secured for NOCISCAN (2021)
- Two additional products approved: NOCICALC (through Class 1) and NOCIGRAM (through 21st Century Cures Act)
- Building exposure and acceptance with a network of key opinion leaders

Considering this, we see considerable upside to our valuation target. Yet, market adoption will take considerable as Aclarion needs to secure local payer coverage one-by-one. Furthermore, the company has ongoing clinical studies that could last 20-30 months each. In addition, Aclarion will need to raise substantial funds to continue their R&D and sales & marketing efforts. Therefore, we believe conservatism is warranted. We note that our target price is well below the stock's intra-day high of the last fiscal year, at \$21.92, recorded on June 12, 2023. Given the stock trades at an enterprise value of just \$1.1 million (versus the roughly \$46 million the company has invested cumulatively in its business and technology), we feel that risk/reward is favorable.

Exhibit 7: Aclarion, Inc. Valuation, NPV

Projected Annual Market Opportunity	\$48,400,000
Discount Rate	18%
NPV of Future Sales	\$272,983,644
Projected Net Margin	12%
Estimated NPV of Future Net Profit	\$32,758,037
Net Cash	\$391,839
Estimated Additional Capital Required	\$20,000,000
Current Value for Existing Shareholders	\$13,149,877
Shares Outstanding	8,210,671
Estimated Value Per Share	\$1.60

Source: Company reports, WHO, Ascendant Capital Markets estimates

Trading History: The share price has been depressed since IPO with an accelerated downdraft since their reverse stock split in January 2024

Aclarion's share price history has undergone 3 phases:

- **Post IPO, April - June 2022**, the company's share price decreased from its intra-day high of \$33 to \$16 in July 2022.
- **July 2022 – May 2023**, steady stock price ending at \$16 for May 2023.
- **May 2023 to the present**, stock price decline to a low of \$0.26 in June 2024.

We believe the reason the stock price has been depressed in the last year comes down to two main factors:

1. Equity fundraising and consequent share price dilution.
2. Time required to get their flagship product NOCISCAN to be more widely adopted.

Given Aclarion's clear roadmap to achieve standard of care status (securing local payer coverage, increasing local scan volumes using NOCISCAN, and leveraging local marketing support), we believe the likelihood of a positive outcome to be high. In addition, the company's low valuation, demonstrated ability to raise equity capital and current market traction give us confidence that further downside risk is limited.

COMPANY

Overview

Introduction. Aclarion is a healthcare technology company that leverages Magnetic Resonance Spectroscopy (MRS) and proprietary biomarkers to improve clinical treatments and outcomes for low back and neck pain. Aclarion's technology aims to replace discography, the current standard of care used in spine surgery diagnostics. Discography involves injecting a needle into a spinal disc to induce pain in the affected disc. While it can be helpful, discography comes with several drawbacks, including false positives/negatives, its invasive nature, pain induction, post-procedural complications, and overall limited therapeutic value. As an example, a false negative might lead to a prescription for physical therapy when surgery is indicated.

Aclarion's NOCISCAN software uses MRS scans to pinpoint degenerative disc disease non-invasively. Unlike traditional MRIs that image structural anomalies, NOCISCAN analyzes the chemical composition of intervertebral discs to identify chemical biomarkers of pain. This process uses standard MRI equipment to capture MRS data, which is then securely transmitted for cloud-based post-processing. The signals are interpreted by AI algorithms to distinguish between painful and non-painful discs. The resulting report, NOCIGRAM, provides clinicians with a detailed scan, facilitating precise and individualized treatment plans for patients suffering from chronic low back pain.

In general, Aclarion estimates that surgeries based on discography work only 63% of the time, while NOCISCAN diagnosis can improve surgery success rates to 80%+. Given the high cost of surgery (\$80,000 or more), as well as the even higher cost of correcting botched surgery (\$120,000 or more), the value of more precise diagnosis is enormous.

The company's technology is enhanced by artificial intelligence, which flags low-quality spectroscopy data, ensuring high-quality diagnostics. Looking ahead, Aclarion plans to expand its AI applications to associate MRS data with a range of other clinical indications, such as brain, breast, and prostate tumors.

History & Founding. Headquartered in Broomfield, Colorado, Aclarion Inc. was first incorporated in 2008. The company was formerly known as Nocimed Inc. The company changed its name to Aclarion Inc. in December 2021. The company was founded by James C. Peacock, David S. Bradford, and Jeffrey Lotz.

Aclarion's technology was originally invented, and initially tested, via successful proof of concept by Aclarion Co-Founder and head of Aclarion's Scientific Advisory Board, Jeffrey Lotz, PhD, at the University of California San Francisco (UCSF). Early research, which was published in a major peer-reviewed journal in 2005, was premised upon the hypothesis that disc pain may be revealed by chemical changes, in particular elevated acidity related to hypoxia, that are not revealed using a standard MRI. With that theory in mind, Dr. Lotz's initial study looked to identify chemical biomarkers for painful discs using MRS, which applies a pulsed magnetic field to tissues to vibrate the different chemicals in that tissue and generate a spectrum that allows for measuring those different chemicals based on their different peaks along that spectrum.

Key Moments.

- 2005: Aclarion's core technology was invented and tested by Dr. Jeffrey Lotz at UCSF. The initial study identifying chemical biomarkers for painful discs using MRS was published in a major peer-reviewed journal.
- 2008: The company entered into an Exclusive License Agreement with the University of California for the patented technology. The company was formed under the name Nocimed, LLC.
- 2011: Collaboration with SIEMENS began to develop the NOCISCAN product suite.
- 2015: NuVasive, Inc. purchased approximately \$2.0 million of the Company's Series B preferred shares and entered into a marketing agreement with Aclarion.
- 2019: Gornet study confirms efficacy of NOCISCAN in diagnosing lumbar discogenic pain
- 2021: Company secures category III CPT codes for its core product
- 2022: Nasdaq IPO
- 2023-present: Transition to full commercial operations with efforts to secure payer contracts for Category III CPT codes and market expansion in the US, EU, and UK .

Partnerships. Aclarion, Inc. has developed strategic partnerships with leading organizations to enhance its technological advancement and expand its market reach. These collaborations play a crucial role in integrating Aclarion's diagnostic tools into the healthcare ecosystem, validating their clinical efficacy, and driving their adoption across the industry. The partnerships with SIEMENS, Alphatec Spine (ATEC), and the University of California are particularly significant, each contributing uniquely to Aclarion's growth and success.

- **SIEMENS:** Aclarion's partnership with SIEMENS has been pivotal for Aclarion, enabling the development and integration of its NOCISCAN technology with SIEMENS MRI scanners. This collaboration ensures that Aclarion's advanced diagnostic tools are compatible with SIEMENS' widely used MRI systems, facilitating easier adoption by healthcare providers. The agreement includes discounted pricing for spectroscopy software, making it more accessible and affordable. This strategic alliance not only enhances the technological capabilities of Aclarion's products but also significantly boosts its market penetration and adoption.
- **ATEC:** Aclarion's collaboration with Alphatec Spine is instrumental in driving the adoption of its diagnostic tools within the spine surgery community. ATEC's established market presence and expertise in spinal implants provide a robust platform for promoting Aclarion's innovative solutions. By leveraging ATEC's extensive network and market influence, Aclarion can effectively reach spine surgeons and healthcare providers, facilitating the integration of its NOCISCAN technology into surgical practices. This partnership helps bridge the gap between advanced diagnostics and practical surgical applications, enhancing patient outcomes and broadening Aclarion's market reach.
- **University of California:** The exclusive licensing agreement with the University of California is foundational to Aclarion's success. This partnership grants Aclarion access to critical patents and intellectual property that underpin its core Magnetic Resonance Spectroscopy (MRS) technology and proprietary biomarkers. The intellectual property licensed from UC includes key innovations that are essential for the development and application of Aclarion's diagnostic methods. This alliance not only strengthens Aclarion's IP portfolio but also ensures that the company remains at the forefront of non-invasive diagnostics for discogenic pain.
- **Medical Research Institutions:** Partnerships with renowned institutions and experts, such as those at Johns Hopkins Medicine and Oslo University Hospital, are integral to their clinical trials, including the upcoming CLARITY and LIFEHAB trials. These collaborations aim to demonstrate the clinical efficacy of NOCISCAN and its impact on improving patient outcomes in surgical and conservative treatments for chronic low back pain.

Sales and Marketing. Aclarion's sales and marketing strategy focuses on establishing strong relationships with key opinion leaders securing payer contracts and expanding market awareness. The company has gained support from leading spine surgeons who use NOCISCAN for surgical decision-making. These KOLs are instrumental in generating clinical data to support payment approvals with payers for Category III CPT codes. Aclarion prioritizes major markets such as New York City, San Francisco, and Chicago, where they focus on expanding physician support and payer coverage.

Examples of key opinion leaders who may advocate for the adoption of NOCISCAN include:

- George Frey MD from the Spine Institute in Denver, CO
- Christopher Ames MD and Sig Berven MD from UCSF
- Juan Uribe MD from the Barrow Neurological Institute in Phoenix, AZ
- John Keller MD from the University of Michigan
- Eric Polls MD from Ascension, IN
- Roger Hartl MD from Weill Cornell Medicine, NY
- Greg Basil MD from Miami University, FL
- Apesh Patel MD, from Northwestern Medicine, IL, and
- Dean Karahalios MS, from Advocate Aurora Health, IL.

The company also benefits from its scientific advisory board, led by co-founder Dr. Jeffrey Lotz, which guides the strategic direction of its research and development initiatives.

Exhibit 8: Aclarion's Strategic Partnership with ATEC

Strategic Partnership



Executed a multi-step strategic partnership:

- ATEC is a medical device company dedicated to revolutionizing the approach to spine surgery through clinical distinction
- Key Opinion Leader (KOL) surgeons have been identified to evaluate Nociscan technology
- Clinical evaluations will assess synergies between Nociscan and ATEC's AlphaInformatiX platform
- ATEC and Aclarion will co-market Nociscan in targeted markets
- ATEC earns certain exclusive distribution rights to include Nociscan as part of an integrated procedural solution

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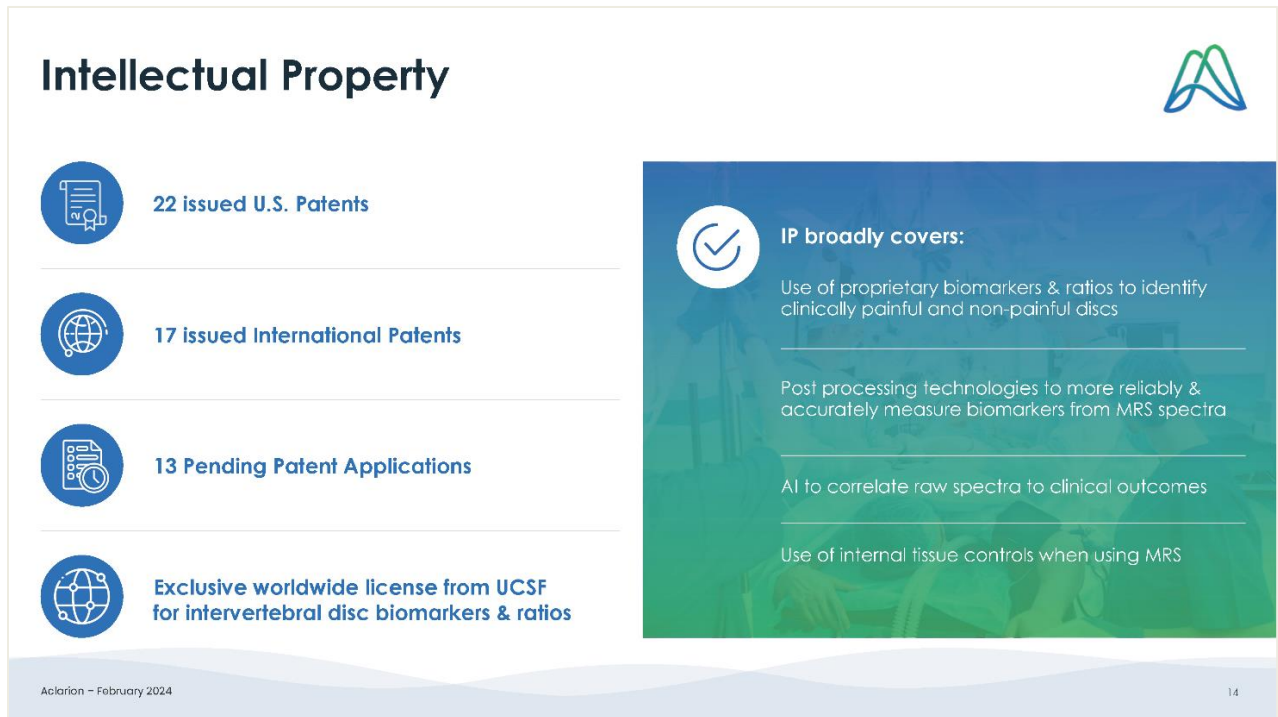
Source: Company Reports

Go-to-Market. Aclarion's strategy for bringing its products to market involves leveraging clinical evidence to secure payer reimbursement and expanding the compatibility of its technology with a broader range of MRI scanners. Initially, the company has focused on the SIEMENS MRI scanners, with plans to collaborate with other vendors to enhance compatibility and include discounted pricing for spectroscopy software. The company is also expanding into international markets and evolving its product to support emerging technologies, such as injectable biology and cell therapies. To further support market adoption, Aclarion is conducting clinical trials and publishing results in peer-reviewed journals, engaging KOL advisory boards, and pursuing additional indications for its technology beyond the lumbar spine, such as the cervical and thoracic regions, and potentially other areas of the body.

Aclarion's reimbursement strategy involves leveraging its Category III CPT codes secured in January 2021, which are critical for obtaining payer coverage. Efforts are underway to transition these codes to permanent Category I CPT codes, thereby facilitating broader commercial adoption. Aclarion's focus on securing local payer coverage, appealing denials, and tracking payments is designed to establish NOCISCAN as a standard of care. The company is also working with international societies, such as the International Society for the Advancement of Spine Surgery, to promote MRS as a viable alternative to discograms.

Intellectual Property. As of December 2023, the company held 22 issued patents in the United States, 17 foreign patents, 6 pending US patent applications, and 7 pending foreign patent applications. These patents and applications encompass innovations related to their core Magnetic Resonance Spectroscopy (MRS) technology, proprietary biomarkers, and advanced signal processing algorithms.

Exhibit 9: Aclarion's Intellectual Property



Source: Company Reports

The most critical patents to Aclarion's business include those exclusively licensed from the University of California. These foundational patents cover systems, materials, and methods to localize and evaluate pain and degenerative properties of tissue using MRS. Additionally, patents related to Aclarion's NOCISCAN product suite, which includes the NOCICALC and NOCIGRAM software, are essential as they facilitate the precise measurement and interpretation of pain biomarkers. Aclarion's ongoing IP development efforts are directed towards expanding the application of its technology to other anatomical regions and improving diagnostic techniques

Team. Aclarion's management team consists of experienced professionals with notable accomplishments in the fields of research, development, clinical studies, and business leadership. Key leaders include:

- **Jeff Thramann, M.D., Executive Chairman and Director:** A seasoned neurosurgeon and serial entrepreneur, Dr. Thramann co-founded Aclarion and has a proven track record of founding and leading successful healthcare companies.
- **Brent Ness, Chief Executive Officer since 2021.** Brent Ness brings extensive experience in commercializing medical technologies and forming strategic partnerships to drive Aclarion's market expansion.
- **John Lorbiecki, Chief Financial Officer.** With over 25 years of financial management expertise, John Lorbiecki, has been instrumental in guiding Aclarion's financial strategy and operations.
- **Ryan Bond, Chief Strategy Officer.** Ryan Bond has been pivotal in leading Aclarion's business development, securing regulatory approvals, and expanding market reach through strategic initiatives.

Exhibit 10: Aclarion's Senior Leadership

Management Team



Jeff Thramann, MD
Executive Chairman

- Serial entrepreneur with multiple exits
- Over 100 US & International patents
- Public company board experience
- Neurosurgeon & spine fellow
- U.S. Military Academy @ West Point
- Cornell University Medical College
- Barrow Neurological Institute



Brent Ness
CEO & Director

- Experienced healthcare leader with highly relevant background
- AI experience at HeartFlow & Cleerly
- Spine experience at Medtronic, Mighty Oak & ProNerve
- Imaging experience at GE Healthcare
- University of North Dakota
- University of Colorado MBA



John Lorbiecki
CFO

- Seasoned financial executive
- Divisional CFO at Kyphon & SNT within Medtronic
- Crossover operational experience
- Early & late stage company exposure
- University of St. Thomas magna cum laude
- University of Chicago MBA



Ryan Bond
Chief Strategy Officer

- Leading strategy since 2018
- Instrumental in securing Cat III CPT codes
- Coordinated key clinical trials
- Spine experience at Nuvasive
- Ohio University

Aclarion – February 2024

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Source: Company Reports

Clinical Studies

Foundational Studies - Gornet (2019 and 2023). The Gornet studies, published in the European Spine Journal in 2019 and 2023, were pivotal in demonstrating the clinical efficacy of Aclarion's NOCISCAN technology. These studies involved leading spine surgeons and aimed to show the improvement in surgical outcomes for chronic low back pain patients using NOCISCAN. The initial study in 2019 included 139 patients and revealed that 85% of patients showed improvement when all NOCISCAN-identified painful discs were treated, compared to just 63% improvement when not all identified discs were treated. These results were confirmed with a two-year follow-up in the 2023 study, bolstering the use of NOCISCAN in surgical decision-making.

Current studies – NIH BACPAC and ACTIVE. The NIH-BACPAC (Back Pain Consortium) studies, sponsored by the National Institute of Health, involve collaborations with UCSF and other research institutions. These studies, which began in Q4 2021, aim to find the best diagnostic tools for chronic low back pain and evaluate their effectiveness. The comeBACK study includes up to 300 patients, while the BEST study involves up to 200 patients. Both studies are expected to be completed by Q2 2024 and aim to provide unique, objective, intradiscal biomarker data for enhanced phenotyping to evaluate the effectiveness of NOCISCAN in determining optimal treatments. The ACTIVE study, sponsored by Campus Bio-Medico University in Rome, is focused on evaluating the efficacy of intradiscal injection of autologous mesenchymal stem cells in workers with chronic low back pain that are unresponsive to conventional therapy. This study, which began in Q4 2020, involves up to 204 scans at various time points and is anticipated to have concluded by Q1 2024. The goal is to demonstrate that NOCISCAN results correlate with improved treatment outcomes, potentially expanding its use in regenerative therapies.

Future studies - CLARITY and LIFEHAB. The CLARITY trial, led by Dr. Nicholas Theodore at Johns Hopkins Medicine, is a prospective, randomized, controlled trial which began in Q2 2024. This study involves an estimated 300 patients and is set to be completed in 42 months. The trial evaluates the outcomes of surgical patients when surgeons have access to NOCISCAN data compared to when they do not. The primary objective is to demonstrate that access to NOCISCAN data leads to improved clinical results, which could influence future surgical protocols and reimbursement decisions. The LIFEHAB trial, conducted by Oslo University Hospital under the leadership of Dr. Christian Hellum, aims to compare lumbar interbody fusion surgery with multidisciplinary rehabilitation for patients

aged 20-65 years suffering from persistent low back pain. This randomized controlled trial, which will begin in Q2 2024, involves an estimated 140 NOCISCAN patients and is expected to conclude by 2030. The study seeks to determine whether lumbar fusion surgery is superior to multidisciplinary rehabilitation in alleviating persistent low back pain.

Target Markets

The target markets of Aclarion include surgical interventions for chronic low back pain, conservative and regenerative therapies, neck pain, diagnostic imaging centers and international markets. According to a 2020 article in the Journal of the American Medical Association, the US spends approximately \$134.5 billion annually on treating low back and neck pain. This expenditure surpasses that for cardiac disease, diabetes, and cancer. Within this broader market, Aclarion specifically targets the segment associated with spine fusion procedures, which represents a \$10 billion annual market in the US. As an indicator of Aclarion’s available opportunity in lumbar spine surgery, we estimate that if the company becomes the standard of care for US lumbar disc surgery diagnosis, it could capture approximately \$370 million in annual revenues, calculated as 550,000 surgeries times revenues of ~\$880 per surgery, with an even greater opportunity internationally.

In addition to lumbar spine surgery, the company also plans to extend its technology to support treatment decisions for chronic low back pain patients undergoing conventional therapies such as physical therapy, biologic therapies, and cell therapies aimed at disc regeneration.

Aclarion’s plan to adapt its technology to address the neck pain market requires overcoming technical challenges related to acquiring adequate MRS data for the smaller cervical discs. In addition to targeting the US market, Aclarion plans to expand its reach internationally, leveraging partnerships with MRI scanner vendors and potentially entering new markets through collaborative efforts.

Exhibit 11: NOCISCAN’s Market Opportunity



Source: Company Reports

Exhibit 12: NOCISCAN Transforms Raw Spectral Data into Clear Biomarkers

Nociscan Product

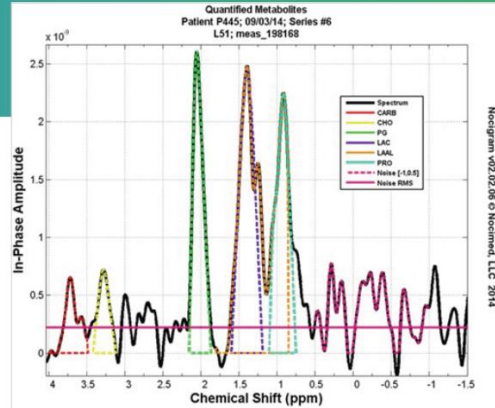
Spectroscopy analyzes the chemical composition of tissue



Proprietary signal processing software transforms raw spectral data into clear biomarkers

- ✓ **Acidic pain markers**¹
 - Alanine (LAAL = lactic acid + alanine)
 - Lactic Acid (LAC)
 - Propionate (PRO)

- ✓ **Structural integrity markers**¹
 - Carbohydrate/collagen (CARB)
 - Proteoglycan (PG)



¹ Keshari KR, Spine (2008) 33(3):312-317

Source: Company Reports

Exhibit 13: Key Opinion Leader and Scientific Advisory Boards

Key Opinion Leader Advocacy & Scientific Advisory



Key Opinion Leader Advocacy

Scientific Advisory

Region: Denver, CO	Region: San Francisco, CA	Region: San Francisco, CA	Region: Phoenix, AZ	Region: Grand Rapids, MI
Region: Indianapolis, IN	Region: New York City, NY	Region: Miami, FL	Region: Evanston, IL	Region: Chicago, IL

- Jeff Lotz, PhD
- Larry Tanenbaum, MD
- Bob Eastlack, MD

Source: Company Reports

FINANCIALS

Overview. To date, Aclarion has been financed through private placements of preferred stock, public offerings, debt financing, an equity line, and its IPO on April 21, 2022. Since its inception, the company had accumulated a deficit of approximately \$46.7 million. Aclarion has a December fiscal year and has reported 8 quarterly earnings as a public company.

In 2023 the company issued \$2.6 million of debt. In Q1 FY24 the company converted \$1.8 million of debt to equity. Also in Q1 FY24, the company raised approximately \$3.0 million in a public offering. Additionally, the company raised approximately \$1.4 million from its equity line. Under an equity line purchase agreement with White Lion Capital, Aclarion has the right to sell up to \$10 million in shares of common stock. Through March 1, 2024, Aclarion has sold 750,000 shares to White Lion for total proceeds of \$3 million.

Q1 2024 results. On May 25, 2024, the company filed its most recent 10Q. Highlights were as follows:

- In January 2024, Aclarion executed a 1-for-16 reverse stock split.
- In February 2024, the company raised approximately \$3.0 million in gross proceeds via a public offering to support R&D and marketing.
- In March 2024, the company reported a publication in the International Journal of Spine Surgery confirming NOCISCAN's high sensitivity (100%) and specificity (80%) in identifying painful lumbar discs, supporting its superior diagnostic value over traditional discography.
- Q1 FY24 sales were \$10,114 (-60% YOY). COGS was \$19,476.
- Operating expenses were \$1.26 million for the quarter, similar to the prior year period.
- An estimated \$239,042 was spent on R&D for the quarter, +17% YOY.
- General and administrative expenses were \$845,847 for the quarter ended March 31, 2024, +5% from \$807,599 for the prior year period.
- Interest expense was \$335,824 for the quarter ended March 31, 2024, an increase of \$334,445 from the \$1,380 incurred during the quarter ended March 31, 2023. This increase in interest expense was due to the increase in debt taken on by the Company in 2023.
- Cash used for operations amounted to \$2.2 million for the March quarter, up from \$1 million used for the prior year period.
- On March 31, 2024, the company's cash position was \$2.13 million, up from \$1 million for the prior year period.

Exhibit 14: Aclarion, Inc. Annual Historical and Projected Financial Metrics

FYE December (\$ mils, except EPS) Fiscal Year End: December 31	2020 FY-A	2021 FY-A	2022 FY-A	2023 FY-A	2024 FY-E	2025 FY-E
Revenue	0.0	0.1	0.1	0.1	0.10	0.27
Operating income (loss)	(2.5)	(3.0)	(5.6)	(4.9)	(5.7)	(6.4)
Net income (loss)	(4.6)	(4.95)	(7.1)	(4.9)	(7.4)	(7.2)
EPS	(96.92)	(105.22)	(15.21)	(7.22)	(0.99)	(0.95)
Operating cash flow	(4.6)	(5.0)	(7.1)	(4.9)	(7.6)	(7.4)

Source: Company Reports, Ascendant Capital Markets Estimates

Income Statement. Aclarion's revenues primarily come from the utilization of NOCISCAN in third-party clinical studies. We are currently forecasting revenues of \$95,000 and \$266,000 in FY24 and FY25, respectively. For COGS, we are forecasting \$124,000 and \$274,000 in FY24 and FY25, respectively. We are forecasting operating expenses of \$1.7 million in Q2 2024 and \$1.4 million in Q3 2024, and \$5.7 million for FY24. Aclarion spent \$239,000 on R&D in Q1 2024, versus a quarterly average of \$222,000 over the last 5 quarters. We forecast quarterly R&D expenditure to continue in a similar trend of \$238,000 to \$300,000, resulting in an annual total of \$1,040,000 for FY2024. The largest component of operating expenses is general and administrative, where the company has been spending an average of \$818,000 per quarter, with \$846,000 in Q1 2024. We estimate general and administrative expenses of \$3.8

million FY2024. We forecast net losses for FY2024 of \$7.4 million, increasing to \$7.2 million in FY2025. All our net loss projections are pro forma, i.e., excluding extraordinary items.

Cash Flow and Balance Sheet. Aclarion has an average quarterly cash burn of \$1.5 million (over the last 5 quarters). Following its recent public offering, the cash position of the company increased to \$2.1 million. Even so, the company will need to raise funds again at least once in 2024 to fund operations. At the end of Q1 2024, the company had current assets of \$3.7 million with \$1.2 million in current liabilities, giving it a solid liquidity position. As of March 31, 2024, the company had a total debt of \$0.7 million.

Initiating Estimates. We are initiating a pro forma EPS estimate (\$0.99) for FY2024 and (\$0.95) for FY2025 on revenues of \$95,000 and \$266,000, respectively. As we are the first analysts to publish on the company, there are currently no consensus estimates.

Conclusion: We believe investors should be focused on market adoption of NOCISCAN, in particular granular announcements of individual payer coverage. We believe that the biggest potential variable and challenge to our financial model is Aclarion's ability to increase product penetration across different states in the US and abroad. If the company can make headway in its quest for standard of care for spinal surgery diagnosis, then the company could grow revenues to 8 figures and beyond. However, if the company is not able to secure significant payer coverage, then revenue growth and profitability may not be achieved or will likely grow at a low rate or even not at all.

FINANCIAL MODEL

Aclarion, Inc. (ACON)

Income Statement (\$ mils)	2020	2021	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023	Mar-24	Jun-24	Sep-24	Dec-24	2024	Mar-25	Jun-25	Sep-25	Dec-25	2025	
Fiscal Year End: December 31	FY-A	FY-A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
Revenue																			
Total revenue	0.05	0.06	0.06	0.03	0.02	0.02	0.01	0.08	0.01	0.03	0.03	0.02	0.10	0.03	0.08	0.09	0.07	0.27	
Cost of revenue	0.07	0.07	0.07	0.02	0.02	0.02	0.02	0.08	0.02	0.03	0.04	0.03	0.12	0.04	0.08	0.08	0.08	0.27	
Gross profit (Loss)	(0.0)	(0.0)	(0.0)	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	0.0	0.0	(0.0)	(0.0)	
Operating expenses																			
Sales and marketing	1.4	0.3	0.5	0.2	0.2	0.2	0.2	0.8	0.2	0.2	0.2	0.2	0.9	0.2	0.3	0.3	0.2	1.0	
Research and development	1.1	0.8	1.1	0.2	0.3	0.2	0.2	0.9	0.2	0.3	0.2	0.3	1.0	0.3	0.3	0.3	0.3	1.2	
General and administrative	-	1.8	4.0	0.8	0.9	0.8	0.7	3.2	0.8	1.1	0.9	0.9	3.8	0.9	1.3	1.0	1.0	4.2	
Other Operating Expense/(Income)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total operating expenses	2.5	2.9	5.6	1.2	1.4	1.2	1.1	4.9	1.3	1.7	1.4	1.3	5.7	1.4	1.9	1.6	1.5	6.4	
Loss from operations	(2.5)	(3.0)	(5.6)	(1.2)	(1.4)	(1.2)	(1.1)	(4.9)	(1.3)	(1.7)	(1.4)	(1.4)	(5.7)	(1.4)	(1.9)	(1.5)	(1.5)	(6.4)	
Other income (expense)																			
Interest Expense	(0.2)	(0.5)	(1.5)	(0.0)	(0.0)	(0.2)	(0.4)	(0.6)	(0.3)	(0.2)	(0.2)	(0.2)	(0.9)	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)	
Loss on exchange of debt	(0.0)	-	-	-	-	-	(0.1)	(0.1)	(1.1)	-	-	-	(1.1)	-	-	-	-	-	
Loss on extinguishment of debt	-	0.4	-	-	-	-	-	-	(0.1)	-	-	-	(0.1)	-	-	-	-	-	
Changes in fair value of warrant and derivative	-	(1.9)	-	-	(0.0)	0.3	0.3	0.6	0.3	-	-	-	0.3	-	-	-	-	-	
Other, net	(2.0)	0.0	0.0	(0.0)	0.0	0.0	(0.0)	(0.0)	0.1	-	-	-	0.1	-	-	-	-	-	
Total other income (expense)	(2.2)	(2.0)	(1.5)	(0.0)	(0.1)	0.2)	(0.1)	(0.0)	(1.1)	(0.2)	(0.2)	(0.2)	(1.7)	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)	
Net loss	(4.6)	(5.0)	(7.1)	(1.2)	(1.5)	(1.0)	(1.3)	(4.9)	(2.4)	(1.9)	(1.6)	(1.6)	(7.4)	(1.6)	(2.1)	(1.7)	(1.7)	(7.2)	
Pref. Dividends and Other Adj.	0.9	(1.0)	(0.4)	-	-	-	-	0.0	-	0.0	0.0	0.0	0.0	0.0	-	-	-	-	
Weighted average common shares outstanding	0.1	0.1	0.5	0.5	0.5	0.5	0.7	0.7	5.4	8.2	8.2	8.2	7.5	7.5	7.5	7.5	7.5	7.5	
Shares, Diluted	0.1	0.1	0.5	0.5	0.5	0.5	0.7	0.7	5.4	8.2	8.2	8.2	7.5	7.5	7.5	7.5	7.5	7.5	
EPS Basic (GAAP)	(96.92)	(105.22)	(15.21)	(2.39)	(2.83)	(1.87)	(1.86)	(7.22)	(0.44)	(0.23)	(0.19)	(0.19)	(0.99)	(0.22)	(0.28)	(0.23)	(0.23)	(0.95)	
EPS Diluted (GAAP)	(96.92)	(105.22)	(15.21)	(2.39)	(2.83)	(1.87)	(1.86)	(7.22)	(0.44)	(0.23)	(0.19)	(0.19)	(0.99)	(0.22)	(0.28)	(0.23)	(0.23)	(0.95)	
Margins																			
Gross margin	-36%	-15%	-8%	31%	-13%	-3%	-41%	0%	-93%	-20%	-9%	-49%	-31%	-51%	6%	15%	-17%	-3%	
General and admin	0%	3028%	6602%	3171%	5542%	4042%	5226%	4304%	8363%	3912%	2853%	3689%	3970%	3345%	1565%	1141%	1476%	1588%	
Sales and marketing	2893%	549%	824%	696%	1217%	1012%	1298%	1004%	1790%	859%	714%	916%	923%	716%	344%	286%	366%	369%	
Operating margin	-5092%	-4898%	-9201%	-4638%	-8237%	-6096%	-8164%	-6466%	-12609%	-5825%	-4310%	-5783%	-6020%	-5058%	-2316%	-1706%	-2311%	-2398%	
Tax rate, GAAP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net margin	-9526%	-8211%	-11694%	-4646%	-8579%	-5235%	-9171%	-6513%	-23721%	-6514%	-4927%	-6636%	-7834%	-5764%	-2562%	-1926%	-2615%	-2699%	
Y/Y % change																			
Revenue	81%	24%	0%	182%	60%	5%	-39%	25%	-60%	70%	70%	70%	70%	180%	180%	180%	180%	180%	
COGS	5%	4%	-6%	4%	35%	15%	12%	16%	12%	80%	80%	80%	80%	120%	120%	120%	120%	120%	
General and administrative expenses	NM	NM	119%	64%	-45%	-35%	23%	-19%	5%	20%	20%	20%	19%	12%	12%	12%	12%	12%	
Total operating expenses	-38%	20%	89%	55%	-36%	-29%	18%	-12%	6%	20%	20%	20%	20%	12%	12%	12%	12%	12%	
Operating Income	-38%	19%	88%	53%	-36%	-29%	20%	-12%	8%	20%	20%	20%	17%	12%	11%	11%	12%	12%	
Net income	15%	7%	43%	26%	-59%	-39%	34%	-31%	103%	29%	60%	23%	52%	-32%	10%	9%	10%	-4%	
EPS	9593%	9%	-86%	-79%	-60%	-44%	-3%	-53%	-82%	-92%	-90%	-90%	-86%	-51%	20%	20%	21%	-4%	
D&A as % of PPE and IA	-	16%	12%	13%	14%	14%	14%	13%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	

Source: Company reports, Ascendant Capital Markets estimates

Aclarion, Inc. (ACON)

Balance Sheet (\$ mils)	Dec-20	Dec-21	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Fiscal Year End: December 31	Q4A	Q4A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Current assets															
Cash	0.0	0.4	1.5	0.4	0.6	0.2	1.0	2.1	0.3	(1.3)	(2.9)	(4.5)	(6.6)	(8.4)	(10.1)
Restricted cash		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable, net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.2	0.2	0.2	0.3
Prepays and other current assets	0.1	0.3	0.2	0.2	0.2	0.2	0.2	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Total current assets	0.1	0.7	1.7	0.7	0.8	0.4	1.3	2.5	0.7	(0.9)	(2.4)	(4.0)	(6.0)	(7.7)	(9.4)
Property and equipment, net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Intangible assets, net	1.2	1.1	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Total assets	1.3	1.9	2.9	1.9	2.0	1.5	2.5	3.7	1.9	0.3	(1.2)	(2.8)	(4.8)	(6.5)	(8.2)
Liabilities and Stockholders' Equity															
Current liabilities															
Accounts payable	0.9	1.1	0.5	0.5	0.6	0.7	0.8	0.2	0.2	0.2	0.3	0.3	0.4	0.4	0.5
Accrued and other liabilities	0.3	0.7	0.2	0.2	0.5	0.4	0.9	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Note payable, net of discount	2.4	2.0	-	-	0.1	0.7	1.1	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Warrant liability	4.9	-	-	-	0.6	0.2	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Derivative liability	-	-	-	-	0.2	0.4	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liability to issue equity	-	-	-	-	-	-	0.0	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Preferred dividends payable		3.9	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	8.4	7.6	0.7	0.7	2.0	2.4	3.2	1.2	1.3	1.3	1.3	1.4	1.4	1.5	1.5
Total Liabilities	8.4	7.6	0.7	0.7	2.0	2.4	3.2	1.2	1.3	1.3	1.3	1.4	1.4	1.5	1.5
Stockholders' Equity															
Pref. Stock, Convertible	0.0	7.1													
Common Stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Additional Paid In Capital	18.8	19.1	41.6	41.7	42.0	42.2	43.6	49.2	49.2	49.2	49.2	49.2	49.2	49.2	49.2
Retained Earnings	(25.9)	(31.9)	(39.4)	(40.6)	(42.0)	(43.0)	(44.3)	(46.7)	(48.6)	(50.2)	(51.7)	(53.4)	(55.4)	(57.2)	(58.9)
Comprehensive Inc. and Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total stockholders' equity	(7.1)	(5.7)	2.2	1.1	0.0	(0.8)	(0.7)	2.5	0.6	(1.0)	(2.5)	(4.2)	(6.3)	(8.0)	(9.7)
Total liabilities and stockholders' equity	1.3	1.9	2.9	1.9	2.0	1.5	2.5	3.7	1.9	0.3	(1.2)	(2.8)	(4.8)	(6.5)	(8.2)

Balance Sheet Drivers

	Dec-21	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	
Book & Cash Value (per share)	Q4A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	
Book Value per Share (diluted)	(125.14)	(101.22)	4.52	2.27	0.02	(1.55)	(1.07)	0.46	0.07	(0.12)	(0.31)	(0.55)	(0.83)	(1.06)	(1.29)
Cash per Share (diluted)	1.32	12.47	3.40	1.31	1.50	0.63	1.86	0.46	0.08	(0.12)	(0.31)	(0.55)	(0.83)	(1.06)	(1.29)
Net cash per Share (diluted)	0.26	7.64	2.99	0.90	1.17	0.30	1.50	0.39	0.03	(0.16)	(0.35)	(0.60)	(0.88)	(1.11)	(1.34)

Source: Company reports, Ascendant Capital Markets estimates

Aclarion, Inc. (ACON)

Cash Flow Statement (\$ mils)	2021	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023	Mar-24	Jun-24	Sep-24	Dec-24	2024	Mar-25	Jun-25	Sep-25	Dec-25	2025
Fiscal Year End: December 31	FY-A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
<u>Cash flow from operating activities</u>																	
CASH FLOWS FROM OPERATING ACTIVITIES	(5.0)	(7.1)	(1.2)	(1.5)	(1.0)	(1.3)	(4.9)	(2.4)	(1.9)	(1.6)	(1.6)	(7.6)	(1.7)	(2.1)	(1.8)	(1.8)	(7.4)
(Growth factor for forecasts)												0.1					0.1
Adjustments to reconcile net income (loss) to net cash used in operating activities:																	
Depreciation and amortization	0.2	0.1	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.2
Share-based compensation	0.2	1.2	0.1	0.1	0.1	0.1	0.5	0.1				0.1					-
Share-based vendor payments		0.1	-	-	-	-	-	-									-
Interest conversion discount settled in equity		1.3	-	-	-	-	-	-				-					-
Loss on disposal of furniture and equipment	-	0.0	-	-	-	-	-	-									-
Loss on exchange of debt	-	-	-	-	-	-	-	1.1				1.1					-
Loss on extinguishment of debt	-	-	-	-	-	-	-	0.1				0.1					-
Amortization of deferred issuance costs	-	-	-	0.0	0.1	0.3	0.5	0.3				0.3					-
Change in fair value related to warrants	-	-	-	0.0	(0.3)	(0.3)	(0.6)	(0.3)				(0.3)					-
Change in assets and liabilities	-	-	-	-	-	-	-	-				-					-
Non-cash interest related to bridge funding	-	-	-	0.0	0.0	0.0	0.1	-				-					-
Warrants issued as non-cash financing	0.0	-	-	-	-	0.1	0.1	-				-					-
Gain on forgiveness of PPP loans	(0.4)	-	-	-	-	-	-	-				-					-
	1.9	-	-	-	-	-	-	-				-					-
Accounts receivable	0.0	(0.0)	0.0	(0.0)	(0.0)	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)	(0.0)	(0.1)	(0.1)	(0.2)
Prepays and other current assets	(0.2)	(0.1)	(0.0)	0.0	0.0	(0.1)	(0.0)	(0.1)	-	-	-	(0.1)	-	-	-	-	-
Changes in fair value of redeemable preferred stock	-	-	-	-	0.0	(0.0)	-	-				-					-
Accounts payable	0.2	(0.6)	0.1	(0.0)	0.1	0.0	0.2	(0.6)	0.0	0.0	0.0	(0.6)	0.1	0.0	0.1	0.1	0.2
Accrued and other liabilities	0.5	(0.1)	(0.0)	0.3	(0.1)	0.3	0.4	(0.4)	-	-	-	(0.4)	-	-	-	-	-
Accrued interest on promissory and convertible notes	0.1	0.2	-	-	-	(0.0)	(0.0)	-				-					-
Net cash used in operating activities	(2.4)	(4.9)	(1.0)	(0.9)	(1.0)	(0.7)	(3.6)	(2.2)	(1.9)	(1.6)	(1.6)	(7.3)	(1.6)	(2.1)	(1.8)	(1.7)	(7.2)
<u>Investing Activities</u>																	
Capital Expenditure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of Property, Plant, and Equipment	-	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale (Purchase) of Intangible assets	(0.1)	(0.2)	(0.0)	(0.1)	(0.0)	(0.0)	(0.1)	(0.1)				(0.1)					-
Net cash used in investing activities	(0.1)	(0.2)	(0.0)	(0.1)	(0.0)	(0.0)	(0.1)	(0.1)	-	-	-	(0.1)	-	-	-	-	-
<u>Financing Activities</u>																	
IPO/bridge funding issuance costs	-	-	-	(0.1)	(0.2)	0.3	-	-				-					-
Proceeds from bridge funding	-	-	-	1.3	0.8	(2.0)	-	-				-					-
Issuance of common stock and warrants	-	-	-	-	-	-	-	2.7	-	-	-	2.7	-	-	-	-	-
Proceeds from equity line	-	-	-	-	-	1.5	1.5	1.4	-	-	-	1.4	-	-	-	-	-
IPO cash issuance costs	-	(0.4)	-	-	-	-	-	-				-					-
Repayment of promissory notes	-	(2.0)	-	-	-	-	-	(0.3)				(0.3)					-
Issuance of common stock and warrants	-	8.6	-	-	-	-	-	-				-					-
Equity line cash issuance costs	-	-	-	-	-	-	-	(0.3)				(0.3)					-
Public offering cash issuance costs	-	-	-	-	-	-	-	(0.1)				(0.1)					-
Bridge fund cash issuance costs	-	-	-	-	-	(0.3)	(0.3)	(0.0)				(0.0)					-
Equity line issuance costs	-	-	-	-	-	(0.1)	(0.1)	-				-					-
Proceeds from issuance of PPP Loan	0.1	-	-	-	-	-	-	-				-					-
Proceeds from issuance of convertible notes	0.8	-	-	-	-	-	-	-				-					-
Proceeds from issuance of promissory notes	2.0	-	-	-	-	2.3	2.3	-				-					-
Proceeds from sale of Series A preferred stock	-	-	0.0	-	-	-	0.0	-				-					-
Redemption of Series A Preferred Stock	-	-	(0.0)	-	-	-	(0.0)	-				-					-
Issuance of Pref. Stock	-	-	-	-	-	-	-	-				-					-
Other Financing Activities	-	-	-	-	-	-	-	-				-					-
Net cash provided by financing activities	2.9	6.2	-	1.2	0.5	1.6	3.3	3.4	-	-	-	3.4	-	-	-	-	-
Net cash increase (decrease)	0.4	1.0	(1.0)	0.2	(0.4)	0.9	(0.5)	1.1	(1.9)	(1.6)	(1.6)	(3.9)	(1.6)	(2.1)	(1.8)	(1.7)	(7.2)
Cash balance at beginning of period	0.0	0.5	1.5	0.5	0.6	0.2	1.5	1.0	2.1	0.3	(1.3)	1.0	(2.9)	(4.5)	(6.6)	(8.4)	(2.9)
Cash balance at end of period	0.5	1.5	0.5	0.6	0.2	1.0	1.0	2.1	0.3	(1.3)	(2.9)	(2.9)	(4.5)	(6.6)	(8.4)	(10.1)	(10.1)

Source: Company reports, Ascendant Capital Markets estimates

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Aclarion, Inc.

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Ratings Distribution and Investment Banking Disclosure (As of July 12, 2024)

Investment Banking Services
Past 12 Months

	Count	Percent	Count	Percent
Buy	58	98%	21	36%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	59	100%	21	36%

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