

# CLEARSIGN TECHNOLOGIES CORP

## FORM 10-Q (Quarterly Report)

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2025

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-35521

CLEARSIGN TECHNOLOGIES CORPORATION  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

26-2056298  
(I.R.S. Employer  
Identification No.)

8023 E. 63rd Place, Suite 101  
Tulsa, Oklahoma 74133  
(Address of principal executive offices)  
(Zip Code)

(918) 236-6461  
(Registrant's telephone number, including area code)

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

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

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

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

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

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒

Smaller reporting company ☒

Emerging growth company ☐

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

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

As of May 6, 2025, the issuer has 52,422,532 shares of common stock, par value \$0.0001, issued and outstanding.

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## PART I - FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS ClearSign Technologies Corporation and Subsidiary Condensed Consolidated Balance Sheets (Unaudited)

(in thousands, except share and per share data)

	March 31, 2025	December 31, 2024
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and cash equivalents	\$ 12,866	\$ 14,035
Accounts receivable	135	165
Contract assets	150	194
Prepaid expenses and other assets	344	454
Total current assets	13,495	14,848
Fixed assets, net	215	238
Patents and other intangible assets, net	824	830
Total Assets	<u>\$ 14,534</u>	<u>\$ 15,916</u>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 1,167	\$ 1,220
Current portion of lease liabilities	68	75
Accrued compensation and related taxes	274	671
Contract liabilities	887	73
Total current liabilities	2,396	2,039
Long Term Liabilities:		
Long term lease liabilities	98	113
Total liabilities	2,494	2,152
Commitments and contingencies (Note 9)		
Stockholders' Equity:		
Preferred stock, \$0.0001 par value, 2,000,000 shares authorized, no shares issued or outstanding	—	—
Common stock, \$0.0001 par value, 87,500,000 shares authorized, 52,422,532 and 50,285,509 shares issued and outstanding at March 31, 2025 and December 31, 2024, respectively.	5	5
Additional paid-in capital	113,148	112,796
Accumulated other comprehensive loss	(21)	(21)
Accumulated deficit	(101,092)	(99,016)
Total stockholders' equity	12,040	13,764
Total Liabilities and Stockholders' Equity	<u>\$ 14,534</u>	<u>\$ 15,916</u>

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

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

(in thousands, except share and per share data)

	<b>For the Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2025</b>	<b>2024</b>
Revenues	\$ 401	\$ 1,102
Cost of goods sold	205	665
Gross profit	196	437
Operating expenses:		
Research and development	447	281
General and administrative	2,006	1,408
Total operating expenses	2,453	1,689
Loss from operations	(2,257)	(1,252)
Other income, net:		
Interest income	133	61
Government assistance	48	79
Other income, net	—	4
Total other income, net	181	144
Net loss	\$ (2,076)	\$ (1,108)
Net loss per share - basic and fully diluted	\$ (0.04)	\$ (0.03)
Weighted average number of shares outstanding - basic and fully diluted	54,995,981	38,848,098
<b>Comprehensive loss:</b>		
Net loss	\$ (2,076)	\$ (1,108)
Foreign-exchange translation adjustments	—	(3)
Comprehensive loss	\$ (2,076)	\$ (1,111)

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

**ClearSign Technologies Corporation and Subsidiary**  
**Condensed Consolidated Statements of Stockholders' Equity**  
**For the Three Months Ended March 31, 2025 and 2024**  
*(Unaudited)*

(in thousands, except per share data)	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
<b>Balances at December 31, 2024</b>	50,286	\$ 5	\$ 112,796	\$ (21)	\$ (99,016)	\$ 13,764
Share-based compensation, net of tax withholdings	81	—	45	—	—	45
Fair value of stock issued in payment of accrued compensation	326	—	279	—	—	279
Shares issued for services	4	—	4	—	—	4
Exercise of warrants	23	—	24	—	—	24
Exercise of prefunded warrants	1,703	—	—	—	—	—
Net loss	—	—	—	—	(2,076)	(2,076)
<b>Balances at March 31, 2025</b>	<u>52,423</u>	<u>\$ 5</u>	<u>\$ 113,148</u>	<u>\$ (21)</u>	<u>\$ (101,092)</u>	<u>\$ 12,040</u>

(in thousands, except per share data)	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
<b>Balances at December 31, 2023</b>	38,687	\$ 4	\$ 98,922	\$ (17)	\$ (93,717)	\$ 5,192
Share-based compensation, net of tax withholdings	45	—	51	—	—	51
Fair value of stock issued in payment of accrued compensation	307	—	326	—	—	326
Shares issued for services	4	—	3	—	—	3
Foreign-exchange translation adjustment	—	—	—	(3)	—	(3)
Net loss	—	—	—	—	(1,108)	(1,108)
<b>Balances at March 31, 2024</b>	<u>39,043</u>	<u>\$ 4</u>	<u>\$ 99,302</u>	<u>\$ (20)</u>	<u>\$ (94,825)</u>	<u>\$ 4,461</u>

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

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

(in thousands)

	<b>For the Three Months Ended March 31,</b>	
	<b>2025</b>	<b>2024</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (2,076)	\$ (1,108)
Adjustments to reconcile net loss to net cash used in operating activities:		
Common stock issued for services	4	3
Share-based compensation, net of tax withholdings	45	51
Depreciation and amortization	47	45
Right-of-use asset amortization	22	22
Change in operating assets and liabilities:		
Contract assets	44	188
Accounts receivable	30	(282)
Prepaid expenses and other assets	110	1
Accounts payable, accrued liabilities, and lease liabilities	(33)	253
Accrued compensation and related taxes	(118)	(96)
Contract liabilities	814	(78)
Net cash used in operating activities	(1,111)	(1,001)
<b>Cash flows from investing activities:</b>		
Acquisition of fixed assets	(4)	—
Disbursements for patents and other intangible assets	(37)	(34)
Net cash provided used in investing activities	(41)	(34)
<b>Cash flows from financing activities:</b>		
Proceeds from exercise of warrants	24	—
Taxes paid related to vesting of restricted stock units	(41)	(22)
Net cash used in financing activities	(17)	(22)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>—</b>	<b>(3)</b>
<b>Net change in cash and cash equivalents</b>	<b>(1,169)</b>	<b>(1,060)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>14,035</b>	<b>5,684</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 12,866</b>	<b>\$ 4,624</b>
<b>Supplemental disclosure of cash flow information:</b>		
Officer and employee equity awards for prior year accrued compensation	\$ 279	\$ 326

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

**ClearSign Technologies Corporation**  
**Notes to Unaudited Condensed Consolidated Financial Statements**

**Note 1 – Organization and Description of Business**

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

The Company was originally incorporated in the State of Washington in 2008. During January 2022, the Company relocated its headquarters from Seattle, Washington to Tulsa, Oklahoma. Effective June 15, 2023, the Company changed its state of incorporation to Delaware. On July 28, 2017, the Company incorporated a subsidiary, ClearSign Asia Limited, in Hong Kong to represent the Company’s business and technological interests throughout Asia. Through ClearSign Asia Limited, the Company has established a wholly foreign owned enterprise in China – ClearSign Combustion (Beijing) Environmental Technologies Co., LTD. On August 22, 2024, the Company’s Board of Directors (the “Board”) authorized management to move forward with filing for dormancy with Chinese regulators to suspend the Company’s Beijing, China operations. A dormancy filing allows the Company to keep its China legal entity in a suspended status for up to three years. The Company can revive its China operations at any time during those three years with minimal cost impact. The effective date of our dormancy filing was March 12, 2025.

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

Business Segments

The Company operates in one operating and reportable segment engaged in the design, development and sale of combustion technologies that improve the performance and cost-effectiveness of industrial combustion systems, referred to herein as the “Combustion” segment. The Company manages its business activities on a consolidated basis. Since the operations comprise a single reportable segment, amounts reported in the consolidated balance sheets, statements of operations and comprehensive loss, stockholders’ equity, and cash flows represent the activities of the Combustion segment.

The Combustion segment derives revenues by delivering products and technology solutions to OEM’s and end-users. Our products and solutions can be incorporated into a new or existing customer infrastructure or equipment. Customer contracts can include multiple billing milestones and performance obligations. The Company can typically satisfy its performance obligations within a twelve month period, but customer project delays, some of which can be beyond the Company’s control, can impact timing of performance and there is no assurance we will satisfy all performance obligations in such period of time.

The Company’s Chief Executive Officer, who is the chief operating decision maker (“CODM”), reviews quarterly financial information on a consolidated basis for making operating decisions, allocating resources and evaluating financial performance. The CODM consistently reviews the consolidated statements of operations and comprehensive loss to manage operations and monitor performance against management expectations. Factors considered by the CODM when assessing a reportable segment include factors such as, but not limited to, human capital, intellectual property, customer relationships and business model design.



Substantially all the Company's operating activities, including its long-lived assets, are located within the United States. Customers in the United States accounted for 100% of revenues during the three months ended March 31, 2025 and 2024. The Company disaggregates geographical revenues by selling location, since many of our target customers are global entities, and it would be more likely than not, that these customers would negotiate sales within our current territory in the United States.

## **Note 2 – Summary of Significant Accounting Policies**

### Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC") for Form 10-Q. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. The condensed consolidated balance sheet at December 31, 2024 has been derived from the Company's audited consolidated financial statements as of that date.

In the opinion of management, these condensed consolidated financial statements reflect all normal recurring and other adjustments necessary for a fair presentation. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2024. Operating results for interim periods are not necessarily indicative of operating results for an entire fiscal year or any other future periods.

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

### Use of Estimates

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

### Research and Development

The cost of research and development is expensed as incurred. Research and development costs consist of salaries, benefits, share-based compensation, consumables, and consulting fees, including costs to develop and test prototype equipment and parts. Research and development costs have been offset by funds received, if any, from strategic partners in cost sharing, collaborative projects. During the three months ended March 31, 2025 and 2024, the Company received zero and \$107 thousand, respectively, from these types of arrangements.

### Foreign Operations

The accompanying unaudited condensed consolidated balance sheets as of March 31, 2025 and December 31, 2024 include assets amounting to approximately \$93 thousand and \$145 thousand, respectively, relating to the operations of ClearSign Asia Limited. The Beijing registered capital requirement is \$350 thousand, which is required to be paid by June 30, 2032, and of which \$211 thousand has been paid as of March 31, 2025. On August 22, 2024, the Board authorized management to move forward with filing for dormancy with Chinese regulators to suspend the Company's Beijing, China operations. A dormancy filing allows the Company to keep its China legal entity in a suspended status for up to three years. The Company can revive its China operations at any time during those three years with minimal cost impact. The dormancy filing became effective as of March 12, 2025.

### Recently Issued Accounting Pronouncements

In December 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* (“ASU 2023-09”) to enhance the transparency and decision-making usefulness of income tax disclosures by requiring additional information on an entity’s tax rate reconciliation, as well as income taxes paid. ASU 2023-09 is effective for our reporting period beginning January 1, 2025. We are currently assessing the impact that the adoption of ASU 2023-09 will have on the disclosures in our annual consolidated financial statements.

In November 2024, FASB issued ASU No. 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures* (Subtopic 220-40) (“ASU 2024-03”). ASU 2024-03 requires enhanced disclosures about types of expenses, including purchases of inventory, employee compensation, depreciation, and amortization, in commonly presented expense captions. The amendments are effective for fiscal years beginning after December 15, 2026, and interim periods beginning after December 15, 2027, with early adoption permitted. Entities may apply the amendments prospectively or retrospectively to any or all prior periods presented in the financial statements. We are currently evaluating the impact that this guidance will have on the disclosures within our consolidated financial statements. While ASU 2024-03 will impact only our disclosures and not our financial condition and results of operations, we are assessing when we will adopt the ASU 2024-03.

### **Note 3 – Fixed Assets, Net**

#### Fixed Assets, Net

Fixed assets, net are summarized as follows:

<i>(in thousands)</i>	March 31, 2025	December 31, 2024
Office furniture and equipment	\$ 103	\$ 99
Leasehold improvements	43	43
	146	142
Accumulated depreciation and amortization	(90)	(85)
	56	57
Operating lease ROU assets, net	159	181
Total	<u>\$ 215</u>	<u>\$ 238</u>

Depreciation expense for the three months ended March 31, 2025 and 2024 was \$5 thousand and \$7 thousand, respectively.

#### Leases

The Company leases office space in Tulsa, Oklahoma, Seattle, Washington, and Beijing, China. During July 2024, the Company renewed its Beijing, China lease for 13 months with monthly rent at approximately \$3 thousand. As a result of this renewal, the Company increased the right-of-use (“ROU”) asset and lease liability by \$32 thousand during the year ended December 31, 2024.

During October 2024, the Company entered into a sub-lease agreement to rent office space in Seattle for approximately \$2 thousand per month for twelve months. The Seattle lease is considered a short-term lease, as the lease term is 12 months or less from the commencement date. The short-term lease expense was approximately \$6 thousand and \$5 thousand for the three months ended March 31, 2025 and 2024, respectively. The Tulsa and Beijing leases are classified as operating leases, with remaining terms ranging from less than twelve months to approximately three years; contractual language requires renewal negotiations to occur at or near termination. These leases are normal and customary for office space, in that, contractual guarantees exist requiring the lessee return the premises to its original functional state.

The Tulsa lease contains fixed annual lease payments that increase annually by 2%. The Seattle, Tulsa, and Beijing total monthly minimum rent is approximately \$10 thousand. Operating lease costs for the three months ended March 31, 2025 and 2024 was \$24 thousand.

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

<i>(in thousands)</i>	March 31, 2025	December 31, 2024
Operating lease ROU assets, net	\$ 159	\$ 181
Lease Liabilities:		
Current lease liabilities	\$ 68	\$ 75
Long term lease liabilities	98	113
Total lease liabilities	\$ 166	\$ 188
Weighted average remaining lease term (in years):	2.4	2.6
Weighted average discount rate:	5.1 %	5.3 %

Supplemental cash flow information related to operating leases is as follows:

<i>(in thousands)</i>	For the Three Months Ended March 31,	
	2025	2024
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows used in operating leases	\$ 25	\$ 24

Minimum future payments under the Company's operating lease liabilities as of March 31, 2025 are as follows:

<i>(in thousands)</i>	
2025 (remaining)	\$ 58
2026	67
2027	51
Total future lease payments	176
Less: imputed interest	(10)
	\$ 166

#### Note 4 – Patents and Other Intangible Assets

Patents and other intangible assets are summarized as follows:

<i>(in thousands)</i>	March 31, 2025	December 31, 2024
Patents		
Patents pending	\$ 360	\$ 346
Issued patents	1,056	1,034
	<u>1,416</u>	<u>1,380</u>
Trademarks		
Registered trademarks	86	86
	<u>86</u>	<u>86</u>
Other	8	8
	<u>1,510</u>	<u>1,474</u>
Accumulated amortization	(686)	(644)
	<u>\$ 824</u>	<u>\$ 830</u>

Amortization expense for the three months ended March 31, 2025 and 2024 was \$42 thousand and \$38 thousand, respectively.

Future amortization expense associated with issued patents and registered trademarks as of March 31, 2025 is as follows:

<i>(in thousands)</i>	
2025 (remaining)	\$ 120
2026	129
2027	106
2028	69
2029	30
Thereafter	2
	<u>\$ 456</u>

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

During the three months ended March 31, 2025 and 2024, the Company assessed its patent and trademark assets. The Company also evaluated its strategic approach to the pursuit and protection of its intellectual property. It is the intent of the Company to continue to pursue intellectual property protection. If the Company identifies certain assets where the intellectual property does not directly align with its core technology, the Company will impair the intangible asset and write-off the asset as an expense.

#### Note 5 – Revenue, Contract Assets and Contract Liabilities

The Company's contracts with customers generally have performance obligations and a schedule of non-refundable cancellation obligations. Performance obligations typically fall into one of three categories, product shipment, burner performance tests and engineering design. Customer payment milestones are unique to individual contracts and may occur prior to completion of performance obligations. Customer payment terms typically range between thirty and sixty days from the date of billing. Our customer contracts typically have a duration of less than twelve months. Delays in contract performance, if any, typically occur as a result of customer onsite project delays outside of our control.

The Company recognized \$401 thousand of revenues and \$205 thousand of cost of goods sold during the three months ended March 31, 2025. The revenue and cost of goods sold predominantly relate to multiple spare parts orders for a single customer. Additionally, the Company successfully completed an engineering study referred herein as a

Computational Fluid Dynamic analysis (“CFD”), and sold a single boiler burner. These products and services constitute performance obligations.

The Company recognized \$1,102 thousand of revenues and \$665 thousand of cost of goods sold during the three months ended March 31, 2024. The revenue and cost of goods sold predominantly relate to the Company’s process burner product line. The Company delivered multiple burners in connection with a single customer order, successfully completed an engineering study and a CFD analysis, and fulfilled multiple spare parts orders. These products and services constitute performance obligations.

The Company had contract assets of \$150 thousand and \$194 thousand at March 31, 2025 and December 31, 2024, respectively. The Company had contract liabilities of \$887 thousand and \$73 thousand at March 31, 2025 and December 31, 2024, respectively. Of the \$73 thousand contract liabilities balance at December 31, 2024, the Company recognized revenue of \$23 thousand during the three months ended March 31, 2025.

#### **Note 6 – Product Warranties**

A summary of the Company’s warranty liability activity, which is included in accounts payable and accrued liabilities in the accompanying condensed consolidated balance sheets as of March 31, 2025 and December 31, 2024, is as follows:

<i>(in thousands)</i>	March 31, 2025	December 31, 2024
Warranty liability at beginning of year	\$ 471	\$ 110
Accruals	33	478
Payments	(162)	(114)
Changes related to expirations and settlements	(24)	(3)
Warranty liability at end of period	<u>\$ 318</u>	<u>\$ 471</u>

#### **Note 7 – Equity**

##### Common Stock and Preferred Stock

The Company is authorized to issue 87.5 million shares of common stock and 2.0 million shares of preferred stock. Preferences, limitations, voting powers and relative rights of any preferred stock to be issued may be determined by the Board. The Company has not issued any shares of preferred stock.

The Company has an At-The-Market (“ATM”) program pursuant to a Sales Agreement with Virtu Americas LLC, as sales agent, dated December 23, 2020 (the “Sales Agreement”), pursuant to which the Company may sell shares of common stock with an aggregate offering price of up to \$8.7 million. On March 18, 2024, the Company filed a prospectus supplement suspending the ATM program. The Company will not make any sales of its common stock pursuant to the Sales Agreement unless and until a new prospectus supplement is filed with the SEC; however, the Sales Agreement remains in full force and effect. During the three months ended March 31, 2025, the Company did not issue any shares of its common stock from the ATM program. As of March 31, 2025, the Company has cumulatively issued approximately 1.6 million shares of common stock under the ATM program, at an average price of \$3.84 per share. Gross proceeds totaled approximately \$6.1 million and net cash proceeds was approximately \$5.9 million.

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

## Warrants and Pre-Funded Warrants

The following table summarizes the activity and outstanding balance of our outstanding warrants and pre-funded warrants as of March 31, 2025, along with the associated weighted average exercise price and weighted average remaining life for such warrants and pre-funded warrants.

(in thousands, except per share data)	Warrants				Pre-Funded Warrants <sup>(1)</sup>		
	Number	Wtd. Avg. Exercise Price	Wtd. Avg. Remaining Life (in years)	Aggregate Intrinsic Value	Number	Wtd. Avg. Exercise Price <sup>(2)</sup>	Aggregate Intrinsic Value
Beginning Balance	21,295	\$ 1.0535	4.74	\$ 8,230	4,499	\$ 0.0001	\$ 6,478
Granted	—	—	—	—	—	—	—
Exercised	(23)	1.0500	—	—	(1,703)	0.0001	—
Forfeited/Expired	—	—	—	—	—	—	—
Outstanding at Period End	21,272	\$ 1.0535	4.49	\$ —	2,796	\$ 0.0001	\$ 2,097

(1) Pre-funded warrants have no expiration date and only expire when exercised in full.

Refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2024 for details related to our outstanding warrants and pre-funded warrants.

## Equity Incentive Plan

On June 17, 2021, the Company's stockholders approved and the Company adopted the ClearSign Technologies Corporation 2021 Equity Incentive Plan (the "2021 Plan") which permits the Company to grant incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock, restricted stock units, performance units, and performance shares, to eligible participants, which includes employees, directors and consultants. The Board's Human Capital and Compensation Committee (the "Compensation Committee") is authorized to administer the 2021 Plan.

The 2021 Plan provides for an annual increase in available shares equal to the lesser of (i) 10% of the aggregate number of shares of common stock issued by the Company in the prior fiscal year; or (ii) such number provided by the Compensation Committee; provided, however, that the total cumulative increase in the number of shares available for issuance pursuant to this automatic share increase shall not exceed 400 thousand shares of common stock. In 2025, the Board did not exercise their right to limit the automatic increase. Accordingly, the 2021 Plan share reserve increased by 400 thousand shares.

Ending balances for the 2021 Plan is as follows:

(in thousands)	March 31, 2025	December 31, 2024
Outstanding options and restricted stock units	3,384	3,316
Reserved but unissued shares under the Plan	1,782	1,858
Reserved but unissued shares at end of period	5,166	5,174

## Stock Options

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

As permitted by SEC Staff Accounting Bulletin ("SAB") 107, management utilized the simplified approach to estimate the expected term of the options, which represents the period of time that options granted are expected to be outstanding.

Expected volatility has been determined through the Company's historical stock price volatility. The Company has not made an estimate of forfeitures at the time of the grant, but rather accounts for forfeitures at the time they occur. The risk-free rate for periods within the expected life of the option is based on the U.S. Treasury yield in effect at the time of grant. The Company has never declared or paid dividends and has no plans to do so in the foreseeable future.

#### *Equity Incentive Plan Options*

Compensation expense associated with stock option awards for the three months ended March 31, 2025 and 2024 totaled \$20 thousand and \$22 thousand, respectively.

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

	March 31, 2025			
(in thousands, except per share data)	Options to Purchase Common Stock	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding at beginning of year	2,452	\$ 2.04	4.92	\$ 496
Granted	—	\$ —		
Exercised	—	\$ —		
Forfeited/Expired	(55)	\$ 2.56		
Outstanding at end of period	2,397	\$ 2.03	4.36	\$ 11
Exercisable at end of period	1,872	\$ 1.70	3.95	\$ 11

The intrinsic value is the difference between the Company's common stock price and the option exercise prices multiplied by the number of in-the-money options. This amount changes based on the fair value of the Company's common stock.

At March 31, 2025, there was \$266 thousand of total unrecognized compensation cost related to non-vested stock option-based compensation arrangements. Vesting criteria ranges from time-based to performance-based. The Company records costs for time-based arrangements ratably across the timeframe, whereas performance-based arrangements require management to continually evaluate predetermined goals against actual circumstances. The maximum contractual term for these options are ten years from the grant date.

#### *Inducement Options*

During the year ended December 31, 2023, the Company granted non-qualified stock options to its Chief Technology Officer to purchase an aggregate of 150 thousand shares of common stock with an exercise price of \$0.91 as a material inducement to accept employment with the Company. These inducement options vest in three equal installments, with one third of the option vesting on the grant date, and each remaining third vesting on the second and third anniversaries of the grant date, subject to continued employment with the Company. The fair value of these options were estimated on the grant date using the Black-Scholes valuation model, which resulted in \$112 thousand. The compensation expense recognized for these awards for the three months ended March 31, 2025 and 2024 was \$9 thousand. Total unrecognized compensation expense for these inducement options as of March 31, 2025 was \$23 thousand.

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

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

(in thousands, except per share data)	March 31, 2025			
	Options to Purchase Common Stock	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding at beginning of year	491	\$ 1.53	3.04	\$ 119
Granted	—	\$ —		
Exercised	—	\$ —		
Forfeited/Expired	—	\$ —		
Outstanding at end of period	491	\$ 1.53	2.80	\$ —
Exercisable at end of period	441	\$ 1.60	3.04	\$ —

#### Restricted Stock Units

The Company awards employees and directors restricted stock units ("RSUs") in lieu of cash payment for compensation. These awards are granted from the 2021 Plan. Employee vesting criteria is time based, and compensation expense is recognized ratably across the timeframe. The Company pays payroll withholding taxes on behalf of the employee at vesting, and withholds shares from the employee's award to cover the taxes payable. The Company accrued taxes for RSU share-based compensation of \$8 thousand and \$16 thousand for the three months ended March 31, 2025 and 2024, respectively. Total unrecognized compensation expense for employee RSUs as of March 31, 2025 was \$304 thousand.

Director vesting criteria is contingent upon the occurrence of one of four future events, which the Company cannot predict or control. Therefore, compensation expense for director RSUs is not recognized until one of these four future events occur, which is in accordance with FASB Accounting Standards Codification ("ASC") Topic 718, "Compensation – Stock Compensation." Total unrecognized compensation expense for director services as of March 31, 2025 was \$658 thousand. Director compensation is earned on a quarterly basis with the target value of compensation set at \$79 thousand per quarter, assuming four directors, one lead independent director, one chairperson for each committee and two committee members for each of the three committees.

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

(in thousands, except per share data)	March 31, 2025		
	Number of Shares	Weighted Average Grant Date Fair Value	Weighted Average Contractual Life (in years) <sup>(1)</sup>
Nonvested at beginning of period	865	\$ 0.99	0.88
Granted	281	\$ 0.97	
Vested	(121)	\$ 0.91	
Forfeited	(38)	\$ 0.93	
Nonvested at end of period	987	\$ 0.99	1.61

- 1) The weighted average contractual life calculation excludes the number of director RSUs that vest upon one of four performance events (refer to discussion above for details).



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

(in thousands, except per share data)	For the Three Months Ended	
	March 31,	
	2025	2024
Share-based compensation expense	\$ 32	\$ 36
Weighted average value per share	\$ 0.89	\$ 0.93

#### Stock Awards

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

(in thousands, except per share data)	2025			2024		
	Number of		Weighted	Number of		Weighted
	Shares	Fair Value	Average per Share	Shares	Fair Value	Average per Share
Fair value of stock payments in accrued compensation	326	\$ 279	\$ 0.85	307	\$ 326	\$ 1.06

#### Consultant Stock Plan

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

The Consultant Plan activity is as follows:

(in thousands)	March 31,
	2025
Reserved but unissued shares at beginning of period	264
Increases in the number of authorized shares	21
Grants	(4)
Reserved but unissued shares at end of period	281

The Consultant Plan compensation expense is summarized as follows:

(in thousands, except per share data)	For the Three Months Ended	
	March 31,	
	2025	2024
Share-based compensation expense	\$ 4	\$ 3
Weighted average value per share	\$ 0.94	\$ 0.81

#### **Note 8 – Net Loss per Common Share**

The Company calculates net loss per common share in accordance with ASC Topic 260, "Earnings Per Share" ("ASC 260"). Basic and diluted net loss per common share was determined by dividing net loss applicable to common stockholders by the weighted average number of shares of common stock outstanding during the period. Under ASC

260, shares issuable for little or no cash consideration are considered outstanding common shares and included in the computation of basic net loss per share. As such, for the three months ended March 31, 2025, the Company included its outstanding pre-funded warrants in its computation of net loss per share. The pre-funded warrants were issued in April and June 2024 with an exercise price of \$0.0001 per pre-funded warrant.

The following potentially dilutive securities have not been included in the computation of diluted net loss per share for the three months ended March 31, 2025 and 2024, as the result would be anti-dilutive:

<i>(in thousands)</i>	March 31, 2025	March 31, 2024
Stock Options	2,888	3,250
Restricted Stock Units	987	857
Warrants	21,272	—
Total shares excluded from calculation	<u>25,147</u>	<u>4,107</u>

## **Note 9 – Commitments and Contingencies**

### Litigation

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

### Indemnification Agreements

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

## **Note 10 – Government Assistance**

During 2022, the Company was awarded a research grant from the Department of Energy ("DOE") for approximately \$250 thousand with the completion of such grant occurring in March 2023. The purpose of the grant was to produce a research paper for a flexible fuel ultra-low NOx process burner capable of burning 100% hydrogen fuel. During 2023, the Company was awarded a Phase 2 grant from the DOE to continue developing this ultra-low NOx hydrogen burner. The Phase 2 grant amount totaled approximately \$1.6 million over a two-year period. These awards allow the Company to request reimbursements for expenditures such as labor, material, and administrative costs. During the three months ended March 31, 2025 and 2024, the Company recognized \$48 thousand in reimbursements from the DOE.

Beginning in 2021, the Company received funds relating to the Oklahoma 21<sup>st</sup> Century Quality Jobs Act. The estimated duration of the program is up to 10 years and is designed to attract growth industries to Oklahoma. By reporting quarterly salary statistics and meeting agreed upon employment thresholds, the state remits benefit monies to the Company. During three months ended March 31, 2025 and 2024, the Company recognized zero and \$31 thousand in government assistance from this program, respectively.

## **Note 11 – Subsequent Events**

The Company has evaluated subsequent events as of the date of this report and has none to report.

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

This Quarterly Report on Form 10-Q (this “Form 10-Q” or “report”) contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and the provisions of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements give our current expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historical or current facts. You can find many (but not all) of these statements by looking for words such as “approximates,” “believes,” “hopes,” “expects,” “anticipates,” “estimates,” “projects,” “intends,” “plans,” “would,” “should,” “could,” “may,” “will” or other similar expressions in this report. In particular, these include statements relating to future actions; prospective products, applications, customers, and technologies; future performance or results of any products; anticipated expenses; and future financial results. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or projections. Factors that could cause actual results to differ materially from those discussed in the forward-looking statements include, but are not limited to:

- our limited cash, history of losses, and our expectation that we will continue to experience operating losses and negative cash flows in the near future;
- our ability to successfully develop and implement our technologies and achieve profitability;
- our limited operating history;
- our ability to maintain the listing of our common stock on the Nasdaq Capital Market (“Nasdaq”);
- changes in government regulations that could substantially reduce, or even eliminate, the need for our technology;
- emerging competition and rapidly advancing technology in our industry that may outpace our technology;
- customer demand for the products and services we develop;
- the impact of competitive or alternative products, technologies, and pricing;
- our ability to manufacture any products we design;
- general economic conditions and events and the impact they may have on us and our potential customers;
- the impact of global supply-chain constraints and the threat of, or implementation of, tariffs on imported or exported goods and materials may adversely affect our commercialization efforts and business operations;
- our revenue has been highly concentrated among a small number of customers, and our results of operations could be harmed if we lose a key revenue source and fail to replace it;
- the impact of a cybersecurity incident or other technology disruption;
- our ability to protect our intellectual property;
- our ability to obtain adequate financing in the future;
- our ability to retain and hire personnel with the experience and talent to develop our products and business;
- our success at managing the risks involved in the foregoing items; and
- other factors discussed in this report and in the section titled “Risk Factors” in our most recent Annual Report on Form 10-K.

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

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

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

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the unaudited consolidated condensed financial statements and related notes included elsewhere in this Form 10-Q as well as our audited consolidated financial statements and related notes included in our most recent Annual Report on Form 10-K. In addition to historical information, this discussion and analysis here and throughout this Form 10-Q contains forward-looking statements that involve risks, uncertainties, and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements due to a number of factors, including but not limited to, the risks described in the section titled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2024.*

### Overview

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

We have incurred losses since inception totaling \$101.1 million and we expect to experience operating losses and negative cash flow for the foreseeable future. We have historically financed our operations primarily through issuances of equity securities. As of March 31, 2025, we have raised approximately \$105.3 million in gross proceeds through the sale of our equity securities. We may need to raise additional capital in the future, however, the significant volatility in the capital markets may negatively affect our ability to raise this additional capital.

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

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

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

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

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

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

## **Recent Developments**

### *Special Committee of the Company's Board of Directors*

On February 10, 2025, the Company's Board of Directors formed a special committee of all of its independent directors (the "Special Committee") for the purpose of responding to, managing, and otherwise addressing attempts by several stockholders to submit director nomination notices in connection with the Company's 2025 annual meeting of stockholders. Although several stockholders attempted to submit nomination notices, due to the circumstances of those notices, the Special Committee does not believe that any lawfully and qualifying stockholder nomination notice has been or can at this time be received in connection with the Company's 2025 annual meeting of stockholders. The Special Committee's engagement with certain stockholders who had attempted to deliver nomination notices in connection with the Company's 2025 annual meeting of stockholders remains ongoing.

### *Notice of Delisting or Failure to Satisfy a Continued Listing Rule or Standard: Transfer of Listing*

On April 1, 2025, we received a letter (the "Notice") from Nasdaq's Listing Qualifications Staff (the "Staff") indicating that, based upon the closing bid price of our common stock for the 30 consecutive business days beginning on February 18, 2025, and ending on March 31, 2025, we no longer meet the requirement to maintain a minimum bid price of \$1 per share, as set forth in Nasdaq Listing Rule 5550(a)(2).

In accordance with Nasdaq Listing Rule 5810(c)(3)(A), we have been provided a period of 180 calendar days, or until September 29, 2025, in which to regain compliance. In order to regain compliance with the minimum bid price requirement, the closing bid price of our common stock must be at least \$1 per share for a minimum of ten consecutive business days during this 180 day period. In the event that we do not regain compliance within this 180 day period, we may be eligible to seek an additional compliance period of 180 calendar days if it meets the continued listing requirement for market value of publicly held shares and all other initial listing standards for Nasdaq, with the exception of the bid price requirement, and provides written notice to Nasdaq of its intent to cure the deficiency during this second compliance period, by effecting a reverse stock split, if necessary. However, if it appears to the Staff that we will not be able to cure the deficiency, or if we are not otherwise eligible, Nasdaq will provide notice to us that our common stock will be subject to delisting.

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

## **Critical Accounting Policies**

The following discussion and analysis of financial condition and results of operations is based upon our condensed consolidated financial statements, which have been prepared in conformity with accounting principles generally accepted in the United States. Certain accounting policies and estimates are particularly important to the understanding of our financial position and results of operations. These policies and estimates require the application of significant judgment by management. These estimates can be materially affected by changes from period to period as economic factors and conditions outside of our control change. As a result, they are subject to an inherent degree of

uncertainty. In applying these policies, our management uses their judgment to determine the appropriate assumptions to be used in the determination of certain estimates. Those estimates are based on our historical operations, our future business plans and projected financial results, the terms of existing contracts, our observance of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate. We believe the current assumptions and other considerations used to estimate amounts reflected in the condensed consolidated financial statements included in this Form 10-Q are appropriate.

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

## RESULTS OF OPERATIONS

### Comparison of the Three Months Ended March 31, 2025 and 2024

Highlights of our quarter financial performance are as follows:

(in thousands, except per share data)	For the Three Months Ended March 31,		\$ Change	% Change
	2025	2024		
Revenues	\$ 401	\$ 1,102	\$ (701)	(63.6)%
Cost of goods sold	205	665	\$ (460)	(69.2)%
Gross profit	196	437	\$ (241)	(55.1)%
Research and development	447	281	\$ 166	59.1 %
General and administrative	2,006	1,408	\$ 598	42.5 %
Operating expenses	2,453	1,689	\$ 764	45.2 %
Other income, net	181	144	\$ 37	25.7 %
Net loss	\$ (2,076)	\$ (1,108)	\$ (968)	(87.4)%
Basic and diluted net income per common share	\$ (0.04)	\$ (0.03)	\$ (0.01)	(33.3)%

#### *Revenues and Gross Profit*

Consolidated revenues for the three months ended March 31, 2025 and 2024 were \$401 thousand and \$1,102 thousand, respectively. Revenues decreased by \$701 thousand, or 63.6%, during the three months ended March 31, 2025, as compared to the same period in 2024. Revenues for the three months ended March 31, 2025 were predominantly generated from spare parts orders related to our process burner product line and a CFD analysis. Revenues for the three months ended March 31, 2024, were predominantly generated from our process burner line, including shipping multiple process burners, executing consulting services, delivering spare parts related to orders from our California refinery customer and, for a different customer, successfully performing an engineering study and CFD analysis.

Gross profit decreased by \$241 thousand, or 55.1%, for the three months ended March 31, 2025 compared to the same period in 2024. The unfavorable decrease in gross profit for the three months ended March 31, 2025 was predominantly due to lower revenues. Profit margin increased by 9.2% from 39.7% for the three months ended March 31, 2024, to 48.9% for the three months ended March 31, 2025, which impacted our gross profit by \$37 thousand for such period. The favorable impact to profit margin was driven predominantly by our spare parts orders.

### *Operating Expenses*

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

#### *Research and Development*

R&D expenses increased \$166 thousand, or 59.1%, for the three months ended March 31, 2025, as compared to the same period in 2024. This unfavorable increase in R&D expenses was predominantly due to a year-over-year increase in product development costs of \$112 thousand related to our process burner product line.

#### *General and Administrative*

G&A expenses increased \$598 thousand, or 42.5%, for the three months ended March 31, 2025, as compared to the same period in 2024. This unfavorable increase in G&A expenses was primarily due to an increase of \$581 thousand in legal fees, including \$131 thousand in legal fees pertaining to work performed in connection with a regulatory inquiry by the SEC into the trading of our securities in 2020 and the accrual of \$450 thousand in legal fees pertaining to work performed for the Special Committee (see “Recent Developments – Special Committee of the Company’s Board of Directors” above for additional information).

#### *Other Income, net*

Other income was relatively unchanged for the three months ended March 31, 2025.

### **Liquidity and Capital Resources**

At March 31, 2025, our cash and cash equivalents balance totaled \$12,866 thousand compared to \$14,035 thousand at December 31, 2024, a decrease of \$1,169 thousand. The decrease in the cash and cash equivalents balance is primarily attributable to our net loss of \$2,076 thousand, which was partially offset by our non-cash expenses of \$118 thousand and an increase in contract liabilities of \$814 thousand.

At March 31, 2025, our current assets were in excess of current liabilities resulting in working capital of \$11,099 thousand as compared to \$12,809 thousand at December 31, 2024. We believe we have sufficient cash and expected cash collections to fund current operating expenses for over twelve months. We have no contractual debt obligations and to the extent we may require additional funds beyond twelve months from the date hereof, and customer cash collections cannot fund our needs, we may utilize equity offerings. Historically, we have funded operations predominantly through equity offerings. Until the growth of revenue increases to a level that covers our operating expenses, we intend to continue to fund operations in this manner, although the volatility in the capital markets may negatively affect our ability to do so. As of March 31, 2025, approximately 21.3 million shares of our common stock are issuable upon exercise of our outstanding warrants, which number excludes the shares of common stock issuable upon exercise of our outstanding pre-funded warrants, and we may receive up to \$22.5 million in aggregate gross proceeds from the cash exercises thereof, subject to certain beneficial ownership limitations set forth therein. These warrants require the warrant holder to tender cash upon exercise, with the exception of the warrants issued to Public Ventures LLC as compensation for their services in connection with our public offering and concurrent private placement in April 2024, which allow the holder to exercise cashless if they so desire. These equity financial instruments may from time-to-time fund future cash needs, but the volatility of our common stock price and the risk tolerance of warrant holders will determine the extent in which we will be able to raise funds in this manner.

Operating activities for the three months ended March 31, 2025, resulted in cash outflows of \$1,111 thousand, primarily due to the net loss of \$2,076 thousand partially offset by non-cash expenses of \$118 thousand and an increase in contract liabilities of \$814 thousand during such period. The change in contract liabilities during the three months ended March 31, 2025, was impacted by customer collections for orders we have yet to complete.

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

Investing activities for the three months ended March 31, 2025, resulted in cash outflows of \$41 thousand, which is primarily attributable to disbursements for patents and other intangible assets.

Investing activities for the three months ended March 31, 2024, resulted in cash outflows of \$34 thousand, which is attributable to disbursements for patents and other intangible assets.

Financing activities for the three months ended March 31, 2025, resulted in cash outflows of \$17 thousand, which is primarily attributable to \$41 thousand of disbursements related to taxes paid for the vesting of employee restricted stock units, partially offset by \$24 thousand in net proceeds received from the exercise of our warrants.

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

#### **Off-Balance Sheet Transactions**

We do not have any off-balance sheet transactions.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **Disclosure Controls and Procedures**

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

We carried out an evaluation under the supervision and with the participation of management, including our Chief Executive Officer (principal executive officer) and our Chief Financial Officer (principal accounting and financial officer), of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2025, the end of the period covered by this Form 10-Q. Based upon the evaluation of our disclosure controls and procedures as of March 31, 2025, our Chief Executive Officer (principal executive officer) and our Chief Financial Officer (principal accounting and financial officer) concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

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

There have been no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### **Limitations on Effectiveness of Controls and Procedures**

Our management, including our Chief Executive Officer (principal executive officer) and our Chief Financial Officer (principal accounting and financial officer), does not expect that our disclosure controls and procedures or our



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

## **PART II - OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

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

### **ITEM 1A. RISK FACTORS**

We incorporate herein by reference the risk factors included under “Part I - Item 1A. Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2024 which we filed with the SEC on March 31, 2025. There are no material changes from the risk factors set forth in such prior filing, except as set forth below.

***If we fail to comply with Nasdaq’s continued minimum closing bid requirements by September 29, 2025 or other requirements for continued listing, including stockholder equity requirements, our common stock may be delisted and the price of our common stock and our ability to access the capital markets could be negatively impacted.***

Our common stock is listed for trading on Nasdaq, therefore, we must satisfy Nasdaq’s continued listing requirements, including, among other things, a minimum closing bid price requirement of \$1.00 per share for 30 consecutive business days. On April 1, 2025, the Staff notified us that we did not comply with the minimum bid price requirement for continued listing, as set forth in Nasdaq Listing Rule 5550(a)(2), during the 30 consecutive business day period beginning on February 18, 2025, and ending March 31, 2025. We have been granted 180 calendar days, or until September 29, 2025, to regain compliance. In the event that we do not regain compliance within this 180 period, we may be eligible to seek an additional compliance period of 180 days if we meet certain requirements.

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

***We are subject to risks associated with proxy contests and other actions of activist stockholders.***

On February 10, 2025, the Company’s board of directors formed the Special Committee for the purpose of responding to, managing, and otherwise addressing attempts by several stockholders to submit director nomination

notices in connection with the Company's 2025 annual meeting of stockholders. Although several stockholders attempted to submit nomination notices, due to the circumstances of those notices, the Special Committee does not believe that any lawfully and qualifying stockholder nomination notice has been or can at this time be received in connection with the Company's 2025 annual meeting of stockholders. The Special Committee's engagement with certain stockholders who had attempted to deliver nomination notices in connection with the Company's 2025 annual meeting of stockholders remains ongoing.

Any legal challenges or other actions by stockholders could result in costly and time-consuming litigation, interfere with our ability to execute our business plan, give rise to perceived uncertainties as to our future direction, adversely affect our relationships with customers, suppliers, investors, prospective and current team members and others, result in the loss of potential business opportunities, or make it more difficult to attract and retain qualified personnel, any of which could materially and adversely affect our business and operating results. The market price of our common stock could be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties related to any such stockholder activism.

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

On March 31, 2025, we issued 3,750 shares of common stock at a fair market value price per share of \$0.94, the closing price of our common stock as reported on Nasdaq on November 13, 2024, the date of grant, from our 2013 Consultant Stock Plan to our investor relations firm, Firm IR Group LLC ("Firm IR"). On November 13, 2024, the board of directors authorized issuance of 15,000 shares to be remitted in quarterly installments to Firm IR, 3,750 shares of which were issued during the three months ended March 31, 2025. These shares were issued in reliance upon the exemption from registration provided by Section 4(a)(2) of the Securities Act, for a transaction by an issuer not involving a public offering.

## **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

## **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## **ITEM 5. OTHER INFORMATION**

None of the Company's directors or officers adopted, modified or terminated a Rule 10b-5 trading arrangement or a non-Rule 10b-5 trading arrangement during the fiscal quarter ended March 31, 2025, as such terms are defined under Item 408(a) of Regulation S-K.

## Item 6. EXHIBITS

Exhibit Number	Document
3.1**	<a href="#"><u>Certificate of Incorporation of ClearSign Technologies Corporation, a Delaware corporation (incorporated by reference to Exhibit 3.3 of the Company's Form 8-K filed with the Securities and Exchange Commission on June 15, 2023).</u></a>
3.2**	<a href="#"><u>Certificate of Amendment, as filed with the Secretary of the State of Delaware on June 25, 2024 (incorporated by reference to Exhibit 3.1 of the Company's Form 8-K filed with the Securities and Exchange Commission on June 26, 2024).</u></a>
3.3**	<a href="#"><u>Bylaws of ClearSign Technologies Corporation, a Delaware corporation (incorporated by reference to Exhibit 3.4 of the Company's Form 8-K filed with the Securities and Exchange Commission on June 15, 2023).</u></a>
4.1**	<a href="#"><u>Form of Common Warrant (incorporated by reference to Exhibit 4.1 of the Company's Form 8-K filed with the Securities and Exchange Commission on April 19, 2024).</u></a>
4.2**	<a href="#"><u>Form of Underwriter's Warrant (incorporated by reference to Exhibit 4.2 of the Company's Form 8-K filed with the Securities and Exchange Commission on April 19, 2024).</u></a>
4.3**	<a href="#"><u>Form of Private Warrant (incorporated by reference to Exhibit 4.3 of the Company's Form 8-K filed with the Securities and Exchange Commission on April 19, 2024).</u></a>
4.4**	<a href="#"><u>Form of Pre-Funded Warrant (incorporated by reference to Exhibit 4.1 of the Company's Form 8-K filed with the Securities and Exchange Commission on April 23, 2024).</u></a>
4.5**	<a href="#"><u>Form of Placement Agent Warrant (incorporated by reference to Exhibit 4.4 of the Company's Form 8-K filed with the Securities and Exchange Commission on April 19, 2024).</u></a>
31.1*	<a href="#"><u>Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer.</u></a>
31.2*	<a href="#"><u>Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer.</u></a>
32.1***	<a href="#"><u>Section 1350 Certification of Principal Executive Officer and Principal Financial Officer.</u></a>
101.INS*	Inline XBRL Instance 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 as inline XBRL and contained in Exhibit 101).

\*Filed herewith.

\*\*Previously filed.

\*\*\*Furnished herewith.

## SIGNATURES

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

### CLEARSIGN TECHNOLOGIES CORPORATION

Date: May 15, 2025

By: /s/ Colin James Deller  
\_\_\_\_\_  
Colin James Deller  
Chief Executive Officer  
(Principal Executive Officer)

Date: May 15, 2025

By: /s/ Brent Hinds  
\_\_\_\_\_  
Brent Hinds  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

## CERTIFICATION

I, Colin James Deller, certify that:

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

Date: May 15, 2025

/s/ Colin James Deller

Colin James Deller  
Chief Executive Officer  
(Principal Executive Officer)

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CERTIFICATION

I, Brent Hinds, certify that:

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

Date: May 15, 2025

/s/ Brent Hinds

Brent Hinds

Chief Financial Officer

(Principal Financial and Accounting Officer)

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**CERTIFICATION**

In connection with the quarterly report on Form 10-Q of ClearSign Technologies Corporation (the “Company”) for the period ended March 31, 2025 as filed with the Securities and Exchange Commission (the “Report”), we, Colin James Deller, Chief Executive Officer (Principal Executive Officer) and Brent Hinds, Chief Financial Officer (Principal Financial and Accounting Officer) of the Company, hereby certify as of the date hereof, solely for purposes of Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Exchange Act, and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: May 15, 2025

/s/ Colin James Deller

Colin James Deller  
Chief Executive Officer  
(Principal Executive Officer)

/s/ Brent Hinds

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

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

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