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

# FORM 8-K/A
**(Amendment No. 1)**

**CURRENT REPORT**
**Pursuant to Section 13 or 15(d)**
**of the Securities Exchange Act of 1934**

**March 22, 2024**
**Date of Report (date of earliest event reported):**

# QT Imaging Holdings, Inc.
**(Exact name of registrant as specified in its charter)**

| Delaware | 001-40839 | 86-1728920 |
|---|---|---|
| (State or other jurisdiction of incorporation or organization) | (Commission File Number) | (IRS Employer Identification No.) |

**3 Hamilton Landing, Suite 160**
**Novato, CA 94949**
**(Address of principal executive offices, including zip code)**

**(650) 276-7040**
**(Registrant's telephone number, including area code)**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, par value $0.0001 per share | QTI | The Nasdaq Stock Market LLC |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☐

## Introductory Note

This Amendment No. 1 to Current Report on Form 8-K/A ("Amendment No. 1") amends the Current Report on Form 8-K of QT Imaging Holdings, Inc. (the "Company"), filed on March 8, 2024 (the "Original Report"), in which the Company reported, among other events, the completion of the Business Combination (as defined in the Original Report).

This Amendment No. 1 is being filed to include (a) the audited consolidated financial statements of QT Imaging (as defined in the Original Report) as of December 31, 2023 and for the fiscal years ended December 31, 2023 and 2022 and notes thereto, (b) Management's Discussion and Analysis of Financial Condition and Results of Operations of QT Imaging for the fiscal years ended December 31, 2023 and 2022, and (c) the unaudited pro forma combined financial information for the Company as of and for year ended December 31, 2023.

This Amendment No. 1 does not amend any other item of the Original Report or purport to provide an update or a discussion of any developments at the Company or its subsidiary, QT Imaging, subsequent to the filing date of the Original Report. The information previously reported in or filed with the Original Report is hereby incorporated by reference into this Amendment No. 1.

### Item 9.01 Financial Statements and Exhibits.

***(a) Financial Statements of Businesses Acquired.***

The audited consolidated financial statements of QT Imaging as of December 31, 2023 and for the fiscal year ended December 31, 2023 and 2022 and notes thereto are attached as Exhibit 99.1 and are incorporated herein by reference. Also included as Exhibit 99.2 and incorporated herein by reference is Management's Discussion and Analysis of Financial Condition and Results of Operations of QT Imaging for the fiscal years ended December 31, 2023 and 2022.

***(b) Pro Forma Financial Information.***

The unaudited pro forma combined financial statements of the Company as of and for the year ended December 21, 2023 is set forth in Exhibit 99.3 to this Current Report on Form 8-K and is incorporated herein by reference.

***(d) Exhibits.***

| Exhibit | Description |
|---|---|
| 99.1 | Audited consolidated financial statements of QT Imaging as of December 31, 2023 and for the fiscal years ended December 31, 2023 and 2022. |
| 99.2 | Management's Discussion and Analysis of Financial Condition and Results of Operations of QT Imaging for the fiscal years ended December 31, 2023 and 2022. |
| 99.3 | Unaudited Pro Forma Combined Financial Information of the Company as of December 31, 2023 and for the year then ended. |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

## SIGNATURES

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

**QT Imaging Holdings, Inc.**

Dated: March 22, 2024

By: /s/ Anastas Budagov
Chief Financial Officer

Exhibit 99.1

**QT IMAGING, INC.**

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**CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2023 and 2022

**QT IMAGING, INC.**

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## Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders of
QT Imaging, Inc.

**Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheets of QT Imaging, Inc. (a Delaware corporation) and its subsidiary (the "Company") as of December 31, 2023 and 2022, and the related consolidated statements of operations and comprehensive loss, stockholders' equity (deficit), and cash flows for each of the two years in the period ended December 31, 2023, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ BPM LLP

We have served as the Company's auditor since 2022.

San Jose, California
March 22, 2024

**QT IMAGING, INC.**

**CONSOLIDATED BALANCE SHEETS**
As of December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash | $ 164,686 | $ 455,076 |
| Restricted cash and cash equivalents | 20,000 | 20,000 |
| Accounts receivable | 1,290 | — |
| Inventory | 4,418,197 | 4,778,906 |
| Prepaid expenses and other current assets | 214,979 | 98,876 |
| Total current assets | 4,819,152 | 5,352,858 |
| Property and equipment, net | 490,920 | 497,747 |
| Intangible assets, net | 90,139 | 276,020 |
| Operating lease right-of-use assets, net | 1,267,121 | 1,572,323 |
| Other assets | 39,150 | 49,150 |
| Total assets | $ 6,706,482 | $ 7,748,098 |
| **LIABILITIES AND STOCKHOLDERS' DEFICIT** | | |
| Current liabilities: | | |
| Accounts payable | $ 1,355,512 | $ 407,413 |
| Accrued expenses and other liabilities | 369,651 | 368,366 |
| Related party notes payable | 705,000 | — |
| Current maturities of long-term debt | 4,199,362 | 129,057 |
| Deferred revenue | 347,619 | — |
| Operating lease liabilities, current | 361,305 | 313,448 |
| Total current liabilities | 7,338,449 | 1,218,284 |
| Long-term debt | 95,982 | 2,652,611 |
| Related party notes payable | 3,143,725 | 3,343,725 |
| Operating lease liabilities | 1,062,633 | 1,423,938 |
| Other liabilities | 377,772 | 617,117 |
| Total liabilities | 12,018,561 | 9,255,675 |
| Contingencies (Note 8) | | |
| Stockholders' deficit: | | |
| Preferred stock, $0.001 par value; 10,000,000 shares authorized; no shares issued and outstanding | — | — |
| Common stock, $0.001 par value; 100,000,000 shares authorized; 27,941,290 and 27,580,040 shares issued and outstanding as of December 31, 2023 and 2022, respectively | 27,941 | 27,580 |
| Additional paid-in capital | 12,430,125 | 10,136,037 |
| Accumulated deficit | (17,770,145) | (11,671,194) |
| Total stockholders' deficit | (5,312,079) | (1,507,577) |
| Total liabilities and stockholders' deficit | $ 6,706,482 | $ 7,748,098 |

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

## QT IMAGING, INC.

### CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

For the years ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| Revenue | $ 40,355 | $ 708,244 |
| Cost of revenue | 134,988 | 556,925 |
| Gross profit (loss) | (94,633) | 151,319 |
| Operating expenses: | | |
| Research and development | 1,485,636 | 2,386,086 |
| Selling, general and administrative | 3,427,690 | 3,551,527 |
| Total operating expenses | 4,913,326 | 5,937,613 |
| Loss from operations | (5,007,959) | (5,786,294) |
| Other expenses | (544,566) | — |
| Interest expense, net | (544,826) | (468,174) |
| Loss before income tax expense | (6,097,351) | (6,254,468) |
| Income tax expense | 1,600 | 1,600 |
| Net loss and comprehensive loss | $ (6,098,951) | $ (6,256,068) |
| Net loss per share - basic and diluted | $ (0.22) | $ (0.23) |
| Weighted-average number of common shares used in computing net loss per common share | 27,815,913 | 27,364,975 |

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

## QT IMAGING, INC.

### CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

For the years ended December 31, 2023 and 2022

| | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Total |
|---|---|---|---|---|---|
| | Shares | Amount | | | |
| Balance, December 31, 2021 | 27,351,290 | $27,351 | $ 8,326,045 | $ (5,415,126) | $ 2,938,270 |
| Sale of common stock and warrants in private offering, net | 228,750 | 229 | 906,071 | — | 906,300 |
| Stock-based compensation | — | — | 790,755 | — | 790,755 |
| Fair value of warrants | — | — | 113,166 | — | 113,166 |
| Net loss | — | — | — | (6,256,068) | (6,256,068) |
| Balance, December 31, 2022 | 27,580,040 | 27,580 | 10,136,037 | (11,671,194) | (1,507,577) |
| Sale of common stock and warrants in private offering, net | 261,250 | 261 | 1,026,289 | — | 1,026,550 |
| Issuance of common stock for the conversion of notes payable plus accrued interest | 100,000 | 100 | 401,900 | — | 402,000 |
| Stock-based compensation | — | — | 709,394 | — | 709,394 |
| Fair value of warrants | — | — | 156,505 | — | 156,505 |
| Net loss | — | — | — | (6,098,951) | (6,098,951) |
| Balance, December 31, 2023 | 27,941,290 | $27,941 | $12,430,125 | $(17,770,145) | $(5,312,079) |

**QT IMAGING, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
For the years ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net loss | $(6,098,951) | $(6,256,068) |
| Adjustment to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 480,694 | 651,750 |
| Stock-based compensation | 709,394 | 790,755 |
| Fair value of warrants issued in exchange for services | — | 108,100 |
| Induced conversion expense | 168,356 | — |
| Debt extinguishment loss | 376,086 | — |
| Amortization of debt issuance costs | 66,367 | 39,923 |
| Non-cash operating lease expense | (8,246) | 4,603 |
| Loss on disposal of assets | 124 | — |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (1,290) | 7,753 |
| Inventory | 98,594 | 553,999 |
| Prepaid expenses and other current assets | (116,103) | (10,576) |
| Other assets | 10,000 | — |
| Accounts payable | 876,074 | 338,554 |
| Accrued expenses and other current liabilities | 645,840 | 178,868 |
| Deferred revenue | 347,619 | (693,436) |
| Other liabilities | (205,701) | 424,040 |
| Net cash used in operating activities | (2,651,143) | (3,861,735) |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (13,040) | (22,600) |
| Net cash used in investing activities | (13,040) | (22,600) |
| Cash flows from financing activities: | | |
| Proceeds from sale of common stock and warrants, net of issuance costs | 1,017,850 | 915,000 |
| Proceeds from long-term debt, net of issuance costs | 800,000 | 348,760 |
| Payments on long-term debt | (129,057) | (127,756) |
| Proceeds from related party notes payable | 705,000 | 1,643,725 |
| Cash paid to lender for debt modification | (20,000) | — |
| Net cash provided by financing activities | 2,373,793 | 2,779,729 |
| Net decrease in cash and restricted cash and cash equivalents | (290,390) | (1,104,606) |
| Cash and restricted cash and cash equivalents, beginning of year | 475,076 | 1,579,682 |
| Cash and restricted cash and cash equivalents, end of year | $ 184,686 | $ 475,076 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for income taxes | $ — | $ 1,600 |
| Cash paid for interest | 3,004 | 4,305 |
| Supplemental disclosures of noncash investing and financing activities: | | |
| Fair value of warrants issued with debt | $ — | $ 5,066 |
| Purchase of property and equipment included in accounts payable | 12,955 | — |
| Equity financing issuance costs included in accrued expenses | — | 8,700 |
| Related party convertible notes payable including accrued interest exchanged for common stock | 233,644 | — |
| Transfer of inventory to property and equipment | 262,116 | — |
| Debt discount included in accounts payable | 59,069 | — |
| Transfer of accrued interest to current maturities of long-term debt | 635,855 | — |

## 1. The Company and Summary of Significant Accounting Policies

### *Nature of Operations*

QT Imaging, Inc. (together with its subsidiary, the "Company") was incorporated on December 31, 2020. The Company is in the business of developing and commercializing medical ultrasound imaging systems. The Company's initial product is a breast imaging system.

### *Merger Agreement and Related Activities*

On December 8, 2022, the Company entered into a definitive business combination agreement (the "Business Combination Agreement") with GigCapital5, Inc., a publicly traded special purpose acquisition company ("GigCapital5"), and QTI Merger Sub, Inc., a wholly owned subsidiary of GigCapital5 ("Merger Sub"), that resulted in the Company becoming a publicly-listed company on March 4, 2024. Upon closing of the transaction, GigCapital5 was renamed QT Imaging Holdings, Inc. ("QTI Holdings") and its common stock is traded on the Nasdaq Global Market under the new ticker symbol "QTI." The closing of the transaction is referred to as Business Combination from this point forward.

In late September 2023, the Company, GigCapital5 and certain GigCapital5 shareholders ("Non-Redeeming Shareholders") entered into non-redemption agreements (each, a "Non-Redemption Agreement") in exchange for the Non-Redeeming Shareholders not redeeming an agreed upon number of their public shares of GigCapital5 (the "Non-Redeemed Shares") at GigCapital5's last annual meeting of shareholders. In exchange, the Non-Redeeming Shareholders will receive, immediately prior to, and substantially concurrently with the closing of the Business Combination, shares of common stock of the Company equivalent to the number of Non-Redeemed Shares multiplied by 0.15 and divided by the Exchange Ratio (as defined in the Business Combination Agreement).

On November 10, 2023, the Company, Merger Sub and GigCapital5 entered into a third amendment to the Business Combination Agreement, which, among other things, amended certain definitions of the Business Combination Agreement.

On November 10, 2023, the Company entered into a Securities Purchase Agreement and raised a private secured convertible bridge financing in the aggregate amount of $1,000,000 ("Bridge Loan") from five investors ("Bridge Lenders") led by Meteora Capital Partners, LP ("Meteora") and collateralized by all assets of the Company. The notes from the Bridge Loan are interest-free and may convert into that number of shares of the Company which may further convert in the aggregate into 500,000 shares of common stock of QTI Holdings upon the completion of the Business Combination. Alternatively, Bridge Lenders may demand payment at 120% of their note on the maturity date, which is the closing date of the Business Combination. Related to the Bridge Loan, as consideration for their services, Meteora will receive that number of shares of common stock of the Company, which at the completion of the Business Combination will be exchanged for 50,000 shares of common stock of QTI Holdings.

The Company and GigCapital5 also entered into subscription agreements dated November 10, 2023 with three of the Bridge Lenders as subscribers for the purchase of shares of stock of the Company in the aggregate amount of $3,000,000 in exchange for that number of shares of the Company which, at the completion of the Business Combination, will be converted in the aggregate into 1,200,000 shares of common stock of QTI Holdings. Each subscriber will also receive that number of shares of common stock of the Company, which, at the completion of the Business Combination, will be exchanged for 50,000 shares of common stock of QTI Holdings.

On November 10, 2023, the Company entered into a Fourth Amendment and Termination Agreement ("Fourth Amendment") of the private placement agreement dated December 15, 2020 with US Capital Global Securities, LLC ("US Capital"), an affiliate of US Capital Global QT Imaging LLC ("USCG") . In conjunction with this Fourth Amendment, the Company, USCG, and Meteora executed a subordination agreement whereby the Company granted USCG a warrant to purchase 25,000 shares of the Company's common stock with a strike price of $2.50 in exchange for subordinating their senior secured position to Meteora. US Capital was also issued a $200,000 senior secured convertible promissory note by the Company as part of the Bridge Loan to terminate the private placement agreement on a go forward basis, a warrant to purchase 35,329 shares of the Company's common stock with a strike price of $2.50 and was entitled to a commission payable of $20,000 in connection with the Bridge Loan.

On November 15, 2023, the Company entered into a Standby Equity Purchase Agreement with GigCapital5 and YA II PN, Ltd. ("Yorkville"), pursuant to which, upon the closing of the Business Combination, QTI Holdings can sell to Yorkville up to $50.0 million of QTI Holdings' common stock at QTI Holdings' request any time during the 36 months following the closing of the Business Combination. In addition, QTI Holdings can also request a pre-paid advance (the "Pre-Paid Advance") from Yorkville up to an amount of $10.0 million at the closing of the Business Combination in the form of a convertible promissory note. As consideration for the Pre-Paid Advance, immediately prior to, and substantially concurrently with, the closing of the Business Combination, the Company will issue to Yorkville that number of shares of the Company which will further convert in the aggregate into 1,000,000 shares of common stock of QTI Holdings upon the completion of the Business Combination.

On November 22, 2023, the Company, Merger Sub and GigCapital5 entered into a fourth amendment to the Business Combination Agreement which extended the Outside Date (as defined in the Business Combination Agreement) from December 31, 2023 to March 31, 2024. The transaction was completed on March 4, 2024.

On December 13, 2023, the Company and Exit Strategy Partners, LLC ("Advisor") entered into an amendment to an agreement dated September 28, 2022, pursuant to which the Company agreed to pay for Advisor's services in exchange for 250,000 shares of QTI Holdings common stock and a total cash amount of $225,000, of which $125,000 was paid on the closing of the Business Combination and the remaining $100,000 is due on the first anniversary of the closing of the Business Combination.

On December 19, 2023, the Company and GigCapital5 entered into an additional stock subscription agreement for the aggregate purchase price of $500,000 in such amount that upon the completion of the Business Combination and the application of the exchange ratio will be exchanged for such consideration as is provided for in the Business Combination Agreement, including that number of shares of QTI Holdings common stock as is equal in the aggregate to 200,000 shares of QTI Holdings common stock.

***Basis of Presentation***

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). In the opinion of management, the consolidated financial statements contain all adjustments necessary for a fair presentation of the Company's financial position as of the date reported.

***Principles of Consolidation***

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, QT Ultrasound Labs, Inc. ("QT Labs"). QT Labs provides personnel and staffing services for the Company. All intercompany balances and transactions are eliminated in consolidation.

***Liquidity***

The Company has incurred net operating losses and negative cash flows from operations since its inception and had an accumulated deficit of $17,770,145 as of December 31,2023. During the year ended December 31, 2023, the Company incurred a net loss of $6,098,951 and used $2,651,143 of cash in operating activities. The Company expects to continue to incur losses, and its ability to achieve and sustain profitability will depend on the achievement of sufficient revenues to support the Company's cost structure. The Company may never achieve profitability and, unless and until it does, the Company will need to continue to raise additional capital. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

In connection with the Business Combination, the Company entered into various agreements to obtain financing through the issuance of debt and through stock subscription agreements. Subsequent to December 31, 2023, the Company received the Pre-Paid Advance, net of issuance costs, of $9,005,000 from Yorkville pursuant to the Standby Equity Purchase Agreement, $500,000 of cash proceeds from an investor related to a stock subscription agreement, and $1,500,000 in cash proceeds through a note payable from Funicular Funds, LP. See Note 14. Subsequent Events. The Standby Equity Purchase Agreement provides the Company with access to an additional $40 million of potential capital through the issuance of common stock to Yorkville. During the time the Company has a balance under the Pre-Paid Advance, additional advances can be received with written consent of Yorkville or upon a trigger event, which occurs when the daily volume-weighted average price is less than $2.00 per share for five consecutive trading days. Management believes that the additional cash received and financing arrangements at the closing of the Business Combination has alleviated the substantial doubt about the Company's ability to continue as a going concern and will be sufficient to fund the Company's current operating plan for at least the next 12 months from the date of issuance of these consolidated financial statements.

The Company's future capital requirements will depend on many factors, including the Company's growth rate, the timing and extent of its spending to support research and development activities, the timing and cost of establishing additional sales and marketing capabilities, and the timing and cost to introduce new and enhanced products. In the event that additional financing is required from outside sources, the Company may not be able to raise it on terms acceptable to the Company, or at all. Any additional debt financing obtained by the Company in the future could also involve restrictive covenants relating to the Company's capital-raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. Additionally, if the Company raises additional funds through further issuances of equity, convertible debt securities or other securities convertible into equity, its existing stockholders could suffer significant dilution in their percentage ownership of the Company, and any new equity securities the Company issues could have rights, preferences and privileges senior to those of holders of the Company's common stock. If the Company is unable to obtain adequate financing or financing on terms satisfactory to the Company when the Company requires it, the Company's ability to continue to grow or support its business and to respond to business challenges could be significantly limited.

***Reclassification***

Certain reclassifications have been made to the prior year consolidated statement of operations and comprehensive loss to conform to the current year presentation. The reclassification had no impact on the previously reported consolidated balance sheet, statement of stockholders' equity (deficit) or cash flows.

***Use of Estimates***

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses and the related disclosure of contingent assets and liabilities. The Company bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. In addition, any change in these estimates or their related assumptions could have an adverse effect on the Company's operating results.

***Business Risk and Concentration of Credit Risk***

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash. The majority of the Company's cash is invested in U.S. dollar deposits with a reputable bank in the United States. Management believes that minimal credit risk exists with respect to the financial institution that holds the Company's cash. At times, such cash may be in excess of insured limits established by the Federal Deposit Insurance Corporation.

The Company performs ongoing credit evaluations of its customers and generally does not require collateral for accounts receivable. Payment terms range from cash in advance to 30 days from delivery of products or services but may fluctuate depending on the terms of each specific contract. During the year ended December 31, 2023, one customer represented 49% of revenue. During the year ended December 31, 2022, one customer represented 98% of revenue. As of December 31, 2023, one customer represented 100% of accounts receivable. As of December 31, 2022, there were no customer concentrations in accounts receivable.

The Company's products require approvals from the Food and Drug Administration and international regulatory agencies prior to commercialized sales. The Company's future products may not receive required approvals. If the Company was denied such approvals, or if such approvals were delayed, it would have a material adverse impact on the Company's business, results of operations and financial condition.

Certain components and services used to manufacture and develop the Company's products are presently available from only one or a limited number of suppliers or vendors. The loss of any of these suppliers or vendors would potentially require a significant level of hardware and/or software development efforts to incorporate the products or services into the Company's product.

***Cash and Cash Equivalents***

The Company considers all short-term investments with a maturity of three months or less when purchased to be cash equivalents. The Company had restricted cash equivalents of $20,000 as of December 31, 2023 and 2022.

***Restricted Cash***

Restricted cash is comprised of cash held in an account subject to a collateral agreement to be used for the Company's corporate credit card program.

***Accounts Receivable***

Accounts receivable are carried at the amount due. Accounts receivable are written off when management deems all realistic efforts to collect the amount outstanding have been exhausted. A provision for credit losses is estimated by management based on evaluations of its historical bad debt and current collection experience. As of December 31, 2023 and 2022, a provision for credit losses was not required.

***Inventory***

Inventory is stated at the lower of cost or net realizable value. Cost is determined using the weighted-average cost method. The Company periodically reviews the value of items in inventory and provides write-offs of inventory that is obsolete. Appropriate consideration is given to obsolescence, excessive levels, deterioration, and other factors in evaluating net realizable value. Once inventory has been written down below cost, it is not subsequently written up.

***Property and Equipment, Net***

Property and equipment, net are recorded at cost, less accumulated depreciation. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance, and repairs are charged to current operations as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method. Leasehold improvements are amortized over the lesser of the term of the related lease or the estimated useful lives of the assets.

***Leases***

The Company primarily enters into leases for office space that are classified as operating leases. The Company determines if an arrangement is or contains a lease at inception. The Company accounts for leases by recording right-of-use ("ROU") assets and lease liabilities on the consolidated balance sheets in the captions operating lease right-of-use assets, net and operating lease liabilities, respectively. The lease term includes the non-cancelable period of the lease plus any additional periods covered by an option to extend that the Company is reasonably certain to exercise. The Company's leases do not include substantial variable payments based on index or rates. The Company's lease agreements do not contain any significant residual value guarantees or material restrictive covenants.

The Company's leases do not provide a readily determinable implicit discount rate. The Company's incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in similar economic environments. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The lease payments related to the next 12 months are included in operating lease liabilities, current on the consolidated balance sheets. The Company recognizes a single lease cost on a straight-line basis over the term of the lease, and the Company classifies all cash payments within operating activities in the consolidated statements of cash flows.

The Company did not have any finance leases as of December 31, 2023 or 2022.

***Intangible Assets***

The Company's intangible assets are comprised of patents with a useful life of 12 years. Patents are amortized on a straight-line basis over their useful life.

***Long-Lived Assets***

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by an asset to the carrying value of an asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary. Management has reviewed the Company's long-lived assets and recorded no impairment charge for the years ended December 31, 2023 and 2022.

***Fair Value Measurements***

The Company applies the requirements of the fair value measurements framework, which establishes a hierarchy for measuring fair value and requires enhanced disclosures about fair value measurements. The fair value measurement guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement guidance also requires disclosure about how fair value is determined for assets and liabilities and establishes a hierarchy in which these assets and liabilities must be grouped based on significant levels of inputs as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices in active markets for similar assets and liabilities and inputs that are observable for the asset or liability.

Level 3: Unobservable inputs in which there is little or no market data, which requires the reporting entity to develop its own assumptions.

The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Company's financial assets measured on a recurring basis included certificates of deposit totaling $20,000 as of December 31, 2023 and 2022 and were classified as Level 2 financial assets. The Company did not have any financial liabilities measured on a recurring basis as of December 31, 2023 and 2022.

***Convertible Debt***

The Company evaluates its financial instruments to determine if they are freestanding financial instruments. The Company also evaluates its convertible debt for embedded derivatives. Embedded provisions (like conversion options) are assessed to determine if they qualify as embedded derivatives that require separate accounting.

Debt issuance costs are recorded as a reduction to the carrying amount of the convertible debt and are amortized to interest expense using the effective interest method. The convertible debt is classified as short-term or long-term based on the term of the note.

***Revenue Recognition***

Revenue is recognized when a customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration the Company expects to be entitled to receive in exchange for these goods or services.

The Company determines revenue recognition through the following steps:

1) Identification of the contract, or contracts, with a customer

The Company considers the terms and conditions of the contract in identifying the contracts. The Company determines a contract with a customer to exist when the contract is approved, each party's rights regarding the goods or services to be transferred can be identified, the payment terms for the goods or services can be identified, it has been determined the customer has the ability and intent to pay, and the contract has commercial substance. At contract inception, the Company will evaluate whether two or more contracts should be combined and accounted for as a single contract and whether the combined or single contract includes more than one performance obligation. The Company applies judgment in determining the customer's ability and intent to pay, which is based on a variety of factors, including the customer's historical payment experience or, in the case of a new customer, credit and financial information pertaining to the customer.

2) Identification of the performance obligations in the contract

Performance obligations promised in a contract are identified based on the goods or services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the goods or services either on its own or together with other resources that are readily available from third parties or from the Company, and are distinct in the context of the contract, whereby the transfer of the goods or services is separately identifiable from other promises in the contract. The Company's performance obligations consist of (i) product sales, (ii) maintenance contracts and (iii) other services including training.

3) Determination of the transaction price

The transaction price is determined based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to the customer. Variable consideration is included in the transaction price if, in the Company's judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur. The Company's contracts do not contain a significant financing component.

4) Allocation of the transaction price to the performance obligations in the contract

If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price.

5) Recognition of revenue when, or as a performance obligation is satisfied

For product sales and services, revenue is recognized at the time the related performance obligation is satisfied by transferring the control of the promised goods or services to a customer, in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services. Training and maintenance services are generally recognized upon invoicing in amounts that correspond directly with the value to the customer of the performance completed to date which primarily includes professional service arrangements entered on a time and materials basis.

All of the revenue recognized by the Company during the years ended December 31, 2023 and 2022 was recognized at a point in time.

Revenue recognized during the years ended December 31, 2023 and 2022 is disaggregated as follows:

| | 2023 | 2022 |
|---|---|---|
| Product | $17,832 | $701,092 |
| Service | 22,523 | 7,152 |
| | $40,355 | $708,244 |

Revenue recognized by geography during the years ended December 31, 2023 and 2022 is as follows:

| | 2023 | 2022 |
|---|---|---|
| United States | $35,165 | $ 7,200 |
| International | 5,190 | 701,044 |
| | $40,355 | $708,244 |

The Company had no contract assets as of December 31, 2023 and 2022 and no contract liabilities as of December 31, 2022. The Company had contract liabilities of $347,619 as of December 31, 2023, which are expected to be fully recognized in revenue in 2024.

***Shipping and Handling Costs***

Shipping and handling activities are typically performed before the customer obtains control of the goods, and the related costs are therefore expensed as incurred. Shipping and handling costs are included in cost of revenue in the accompanying consolidated statements of operations and comprehensive loss. Shipping and handling costs incurred for inventory purchases are expensed in cost of revenue when sold.

***Product Warranty***

The Company's products sold to customers are generally subject to warranties between one and two years, which provides for the repair or replacement of products, at the Company's option, that fail to perform with stated specifications. The Company estimates future warranty obligations related to those products. To date, product warranty claims have not been significant.

***Research and Development Costs***

Research and development costs incurred by the Company include salaries, purchased services, operating materials and supplies, depreciation, and amortization, and are expensed as incurred. These costs for the years ended December 31, 2023 and 2022, amounted to $1,485,636 and $2,386,086, respectively.

***Advertising***

Advertising and promotion costs are expensed as incurred. Advertising expenses were not significant for the years ended December 31, 2023 and 2022.

***Grant Income***

Periodically, the Company is awarded grants on a cost reimbursement basis. Costs are expensed when incurred and reimbursable on a monthly or quarterly basis with the offset booked as a contra-expense to the applicable functional area in the consolidated statements of operations and comprehensive loss.

### *Income Taxes*

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets may be reduced by a valuation allowance if it is more-likely-than-not that some or all of the deferred tax asset will not be realized. The Company annually evaluates the realizability of deferred tax assets by assessing the valuation allowance and by adjusting the amount of such allowance, if necessary. The factors used to assess the likelihood of realization include the Company's forecast of future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets.

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more-likely-than-not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the consolidated financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. In accordance with this accounting policy, the Company recognizes accrued interest and penalties related to unrecognized tax benefits as a component of income tax benefit. There were no accrued interest and penalties during the years ended December 31, 2023 and 2022.

### *Stock-Based Compensation*

Stock-based compensation cost is measured at the grant date based on the fair market value of the award. Stock-based compensation is recognized as expense on a ratable basis over the requisite service period of the award.

The Company values stock options using the Black-Scholes option pricing model. This model requires the use of highly subjective and complex assumptions which determine the fair value of stock-based awards, including the option's expected term, stock price volatility and risk-free interest rates. Forfeitures are recorded as they occur.

### *Comprehensive Loss*

Comprehensive loss is defined as the change in the equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. Comprehensive loss was equal to net loss for the years ended December 31, 2023 and 2022.

### *Net Loss per Share*

Basic net loss per share is calculated by dividing the net loss by the weighted-average number of common shares outstanding during the period, without consideration for potentially dilutive securities. Diluted net loss per share is computed by dividing the net loss by the weighted-average number of common shares and potentially dilutive common share equivalents outstanding for the period determined using the treasury-stock and if-converted methods. For the purposes of the diluted net loss per share calculation, common stock equivalents are considered to be potentially dilutive securities.

The following securities were excluded from the calculation of net loss per share because the inclusion would be anti-dilutive as of December 31:

| | 2023 | 2022 |
|---|---|---|
| Common stock warrants | 1,231,484 | 905,470 |
| Options outstanding | 3,646,922 | 3,940,536 |
| Potential shares from convertible notes | 2,073,554 | 714,870 |
| Subscription agreements | 3,833,912 | — |
| | 10,785,872 | 5,560,876 |

***Fair Value of Financial Instruments***

The fair value of the Company's financial instruments, including cash equivalents, accounts receivable, prepaid expenses and other current assets, accounts payable, and accrued expenses approximate their fair values because of the relatively short maturity of these instruments. The carrying value of the Company's borrowings approximates fair value based on current rates offered to the Company for instruments with similar terms.

***Recently Adopted Accounting Standards***

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, and subsequently issued several supplemental/clarifying ASUs (collectively, "ASC 326"). This ASU requires entities to estimate a lifetime expected credit loss for most financial assets, including trade and other receivables, other long-term financings including available for sale and held-to-maturity debt securities, and loans. The Company adopted ASC 326 on January 1, 2023. This standard did not have a material impact on the Company's consolidated financial statements.

***Recent Accounting Pronouncements***

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which requires disclosure of incremental segment information on an annual and interim basis. This ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, and requires retrospective application to all prior periods presented in the financial statements. Early adoption is permitted. The Company is currently evaluating the impact of the new standard on the consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. This ASU is intended to improve the transparency of income tax disclosures by requiring (1) consistent categories and greater disaggregation of information in the rate reconciliation and (2) income taxes paid disaggregated by jurisdiction. It also includes certain other amendments to improve the effectiveness of income tax disclosures. The ASU's amendments are effective for public business entities for annual periods beginning after December 15, 2024. Entities are permitted to early adopt the standard for "annual financial statements that have not yet been issued or made available for issuance." Adoption is either prospectively or retrospectively, the Company will adopt this ASU on a prospective basis. The Company is currently evaluating the impact of the new standard on the consolidated financial statements and related disclosures.

## 2. Inventory

Inventory consisted of the following as of December 31:

| | 2023 | 2022 |
|---|---|---|
| Raw materials | $2,529,364 | $2,567,311 |
| Work in process | 1,627,802 | 1,683,341 |
| Finished Goods | 261,031 | 528,254 |
| Total | $4,418,197 | $4,778,906 |

## 3. Property and Equipment, Net

Property and equipment, net consisted of the following as of December 31:

| | Useful Life | 2023 | 2022 |
|---|---|---|---|
| Scanners | 5 Years | $ 3,309,957 | $ 3,047,841 |
| Computer and lab equipment | 3-5 Years | 1,359,491 | 1,346,726 |
| Leasehold improvements | Various | 421,266 | 421,266 |
| Software | 3 Years | 40,599 | 40,599 |
| Furniture and fixtures | 7 Years | 82,336 | 82,336 |
| | | 5,213,649 | 4,938,768 |
| Less: accumulated depreciation | | (4,722,729) | (4,441,021) |
| | | $ 490,920 | $ 497,747 |

Depreciation expenses were $294,813 and $465,869 for the years ended December 31, 2023 and 2022, respectively.

## 4. Intangible Assets, Net

Intangible assets, net consisted of the following as of December 31, 2023:

| | Useful Life | Gross Carrying Value | Accumulated Amortization | Net Carrying Value | Useful Life Remaining |
|---|---|---|---|---|---|
| Patents | 12 Years | $ 2,230,570 | $2,140,431 | $ 90,139 | 0.50 Years |

Intangible assets, net consisted of the following as of December 31, 2022:

| | Useful Life | Gross Carrying Value | Accumulated Amortization | Net Carrying Value | Useful Life Remaining |
|---|---|---|---|---|---|
| Patents | 12 Years | $ 2,230,570 | $1,954,550 | $ 276,020 | 1.50 Years |

Amortization expense was $185,881 for each of the years ended December 31, 2023 and 2022.

As of December 31, 2023, future amortization is as follows:

| | |
|---|---|
| Year ending December 31: | |
| 2024 | $90,139 |

## 5. Accrued Expenses

Accrued expenses consisted of the following as of December 31:

| | 2023 | 2022 |
|---|---|---|
| Accrued vacation | $ 55,683 | $ 91,125 |
| Accrued wages | 65,173 | 80,904 |
| Accrued legal | 24,729 | 79,691 |
| Accrued interest | 50,037 | — |
| Other | 174,029 | 116,646 |
| Total | $369,651 | $368,366 |

## 6. Long-Term Debt

***Paycheck Protection Program Loan***

On February 24, 2021 and May 5, 2020, the Company received loans ("PPP Loans") from US Bank in the amounts of $1,158,265 ("Loan 2") and $1,158,266 ("Loan 1"), respectively, to fund payroll, rent and utilities through the Paycheck Protection Program ("PPP"). Original loan terms were revised by the PPP Flexibility Act of 2020. Under the terms of the PPP, up to 100% of the loan and related interest was forgivable if the proceeds were used for covered expenses and certain other requirements related to wage rates were met. For Loan 1, the Company applied for forgiveness on June 7, 2021, and received forgiveness of $873,151 in principal and $9,823 in interest from the Small Business Administration ("SBA") on June 14, 2021. For Loan 2, the Company applied for forgiveness on November 9, 2021, and received forgiveness of $930,246 in principal and $6,822 in interest on November 15, 2021.

The remaining balance of Loan 1 of $285,115 is payable in monthly installments of $6,400, including interest at 1%, beginning August 5, 2021, with the final payment due May 5, 2025. As of December 31, 2023, the total principal outstanding under Loan 1 was $107,979, of which $76,058 was current and $31,921 was noncurrent. As of December 31, 2022, the total principal outstanding under Loan 1 was $183,273, of which $75,294 was current and $107,979 was noncurrent.

The remaining balance of Loan 2 of $228,019 is payable in monthly installments of $4,605, including interest at 1%, beginning December 27, 2021, with the final payment due February 27, 2026. As of December 31, 2023, the total principal outstanding under Loan 2 was $118,369, of which $54,308 was current and $64,061 was noncurrent. As of December 31, 2022, the total principal outstanding under Loan 2 was $172,132, of which $53,763 was current and $118,369 was noncurrent.

Interest expense for Loan 1 and Loan 2 for the years ended December 31, 2023 and 2022 was $3,004 and $4,305, respectively.

The SBA may undertake a review of a loan of any size during the six-year period following forgiveness or repayment of the loan. The review may include the loan forgiveness application, as well as whether the Company received the proper loan amount. The timing and outcome of any SBA review is not known.

***Convertible Notes Payable***

In June 2021, the Company entered into a convertible promissory note agreement (the "Note") with USCG for advances of up to $10,000,000. Advances on the Note can be made to the Company up to six months after the inception of the Note unless extensions for advances to be made is mutually agreed between both parties. The Note bears interest at 12% per annum on any amounts drawn and matures on July 6, 2024. The Note is collateralized by all assets of the Company and is guaranteed by QT Labs. The terms of the Note include non-financial covenants and, as of December 31, 2023, the Company was in compliance with those covenants. Through December 31, 2023, the Company issued warrants in connection with the note to purchase a total of 14,854 shares of common stock which 10,329 shares are exercisable at a price of $4.25 per share and 4,525 shares are exercisable at a price of $4.00 per share. The fair value of the warrants, along with financing fees, were recorded as debt issuance costs and presented in the consolidated balance sheets as a deduction from the carrying amount of the Note.

The Note is convertible, at the Company's option, before the Note matures upon the closing of a single transaction or a series of transactions with a minimum of $15,000,000 of cash proceeds raised in the aggregate. If elected, the conversion price would be 90% of the price per share in the qualified financing. Management assessed whether the embedded features in the Note should have been bifurcated from the debt host and concluded that none of the features required to be accounted for separately from the debt instrument.

In connection with the Fourth Amendment and issuance of the senior secured convertible promissory note to US Capital as part of the Bridge Loan (the "US Capital Note"), the outstanding loan balances of the Note of $2,495,000 with accrued interest of $635,854 was considered extinguished. The Company recorded $376,086 as a loss on extinguishment in other expenses in the consolidated statements of operations and comprehensive loss, and includes a commission paid of $20,000, remaining unamortized debt issuance costs on the Note of $32,828 and the fair value of warrants to purchase 60,329 shares of common stock of $156,505.

As of December 31, 2023, the total Note and US Capital Note balance was $3,294,659 net of unamortized debt issuance costs of $36,194, and accrued interest of $50,037. As of December 31, 2022, the outstanding amount of the Note was $2,426,263, net of unamortized debt issuance costs of $68,737. Interest expense, including amortization of debt issuance costs, for the years ended December 31, 2023 and 2022 was $340,758 and $326,255, respectively.

***Bridge Loan***

In November 2023, the Company entered into a Bridge Loan with the Bridge Lenders in aggregate amount of $1,000,000.

Each Bridge Loan of $200,000 bears no interest but has a cash option value at the date maturity of 120% or $240,000 of the Bridge Loan at each Bridge Lender's option. Maturity date is the closing date of the Business Combination as defined in Note 1. The Bridge Loan conversion is at $2.00 per share on a post-business combination and, as of December 31, 2023, an aggregate of 1,369,255 shares of common stock would be issued if the entire Bridge Loan was converted.

As of December 31, 2023, the outstanding amount of the Bridge Loan, excluding the US Capital Note, was $774,337, net of unamortized debt issuance costs of $25,663. Interest expense from the amortization of debt issuance costs for the year ended December 31, 2023 was $21,592.

Future principal payments on the long-term debt as of December 31, 2023 are as follows:

| | |
|---|---|
| Year ending December 31: | |
| 2024 | $ 4,261,221 |
| 2025 | 86,784 |
| 2026 | 9,196 |
| Total Payments | 4,357,201 |
| Less: Unamortized debt issuance costs | (61,857) |
| Less: Current maturities of long-term debt | (4,199,362) |
| Long-term debt | $ 95,982 |

## 7. Leases

The Company leases its operating facilities in Novato, California, under a non-cancelable operating lease through May 31, 2027. There are no options or rights to extend the term of this lease.

The following table reflects the Company's ROU assets and lease liabilities as of December 31:

| | 2023 | 2022 |
|---|---|---|
| Assets: | | |
| Operating lease ROU assets, net | $1,267,121 | $1,572,323 |
| Liabilities: | | |
| Operating lease liabilities, current | $ 361,305 | $ 313,448 |
| Operating lease liabilities | 1,062,633 | 1,423,938 |
| | $1,423,938 | $1,737,386 |

The following table presents supplemental cash flow information related to the Company's operating leases for the years ended December 31:

| | 2023 | 2022 |
|---|---|---|
| Operating cash flows from operating leases | $441,111 | $428,263 |

As of December 31, 2023, the maturity of operating lease liabilities was as follows:

| | |
|---|---|
| Year ending December 31: | |
| 2024 | $ 462,295 |
| 2025 | 476,164 |
| 2026 | 490,449 |
| 2027 | 206,864 |
| Total payments | 1,635,772 |
| Less: Interest | (211,834) |
| Present value of obligations | $1,423,938 |

The operating lease expense for the years ended December 31, 2023 and 2022, was $453,889 and $452,894, respectively, of which $21,024 and $20,029, respectively, were related to leases with a term of less than 12 months.

The weighted-average remaining lease term was approximately 3.4 years as of December 31, 2023. The weighted-average discount rate for the year ended December 31, 2023 was 8%.

## 8. Contingencies

***Litigation***

The Company is subject to occasional lawsuits, investigations, and claims arising out of the normal conduct of business. As of the date the consolidated financial statements were available to be issued, management is not aware of any pending claims that will have a material impact on the Company's consolidated financial statements.

## 9. Stockholders' Deficit

***Common Stock***

The Company is authorized to issue 100,000,000 shares of common stock, with a par value of $0.001. Holders of the Company's common stock are entitled to one vote for each share of common stock. As of December 31, 2023 and 2022, there were 27,941,290 and 27,580,040 shares of common stock issued and outstanding, respectively.

Future dividends may be paid on the outstanding shares of common stock as and when declared by the Board of Directors out of funds legally available therefor; provided, however, that no dividends shall be made with respect to the common stock until any preferential dividends required to be paid or set apart for any shares of preferred stock have been paid or set apart.

Common stock reserved for future issuance as of December 31, 2023 is as follows:

| | |
|---|---|
| Common stock warrants | 1,231,484 |
| Options outstanding | 3,646,922 |
| Options available under the Plan | 3,353,078 |
| Potential shares from convertible notes | 2,073,554 |
| Subscription agreements | 3,833,912 |
| | 14,138,960 |

***Preferred Stock***

The Company is authorized to issue 10,000,000 shares of preferred stock, with a par value of $0.001, with such designations, voting and other rights and preferences as may be determined from time to time by the Board of Directors. As of December 31, 2023 and 2022, there were no shares of preferred stock issued and outstanding.

***Private Placement***

In November 2022, the Company initiated an offering to sell to a select group of accredited investors only, on a private placement basis, 1,000,000 units for a purchase price of $4.00 per unit (the "Units"), each Unit consisting of one share of common stock and one warrant to purchase one share of common stock with an exercise price of $4.00 (the "2022 Offering"). As of December 31, 2023, the Company has issued 490,000 Units for net proceeds of $1,932,850, which 261,250 Units were issued in 2023 for total net proceeds of $1,026,550 and 228,750 Units were issued in 2022 for net proceeds of $906,300 in 2022.

***Warrants for Common Stock***

In addition to the warrants sold as part of the Units in the 2022 Offering, the Company also issued warrants to consultants and to placement agents in association with debt issuances and past private offerings. At the option of the warrant holders, the warrants can be fully settled in shares of common stock, or converted via net share settlement, in which the warrant holder will receive shares equal to the number of shares purchasable under the warrants multiplied by the difference between the fair market value of the shares and the exercise price, divided by the fair market value of the shares.

The following table represents the warrant activity as follows:

| | Number of Warrants |
|---|---|
| Outstanding, January 1, 2022 | 624,508 |
| Granted | 280,962 |
| Outstanding, December 31, 2022 | 905,470 |
| Granted | 326,104 |
| Outstanding, December 31, 2023 | 1,231,574 |

As of December 31, 2023, outstanding warrants to purchase shares of common stock by exercise price are as follows:

| Exercise Price | Exercisable For | Expiration Date(s) | Number of Shares Outstanding Under Warrants |
|---|---|---|---|
| $ 10.00 | Common Stock | March 2025 | 516,391 |
| $ 8.50 | Common Stock | August 2030 | 150,000 |
| $ 4.25 | Common Stock | July 2027 to September 2028 | 10,329 |
| $ 4.00 | Common Stock | November 2027 to March 2029 | 494,525 |
| $ 2.50 | Common Stock | November 1, 2028 | 60,329 |
| | | | 1,231,574 |

The determination of the fair value of warrants to purchase common stock issued during the years ended December 31, 2023 and 2022 is computed using the Black-Scholes option pricing model with the following weighted-average assumptions:

| | 2023 | 2022 |
|---|---|---|
| Expected warrant term (years) | 5.0 | 5.6 |
| Expected volatility | 60.2% | 62.3% |
| Risk-free rate of return | 4.0% | 3.6% |
| Expected annual dividend yield | — | — |

The fair value of warrants issued as part of the 2022 Offering and included in stockholders' deficit in the consolidated balance sheets was $462,413 and $404,888 for the years ended December 31, 2023 and 2022, respectively. The fair value of the warrants granted to USCG in connection with the convertible debt described in Note 6. Long-Term Debt, which was included as part of debt issuance costs, was $15,317 and $5,066 for the years ended December 31, 2023 and 2022, respectively. The fair value warrants granted in exchange for services was $0 and $108,100 the years ended December 31, 2023 and 2022, respectively, and was included in selling, general and administrative expenses on the consolidated statements of operations and comprehensive loss. The fair value of the remaining warrants granted during the year ended December 31, 2023 to USCG and US Capital in connection with the Fourth Amendment was $156,505.

Subsequent to December 31, 2023 and pursuant to the terms of the Business Combination Agreement, the Company cancelled and terminated all outstanding warrants that were deemed out of the money, which included all warrants with an exercise price of $4.00 or above per warrant.

## 10. Stock Incentive Plan

In September 2021, the Board of Directors approved and the Company adopted the Plan (the "Plan"). The maximum aggregate number of shares of common stock that the Company may award under the Plan is 7,000,000. The term of the Plan is 10 years. The Plan is administered by a committee of the Company's Board of Directors (the "Administrator"). The Company may grant awards to eligible participants which may take the form of stock options (both incentive stock options and non-qualified stock options), stock purchase rights, restricted stock, restricted stock units and performance stock awards. Awards may be granted to employees, directors, and consultants (as defined in the Plan.) The term of any stock option award may not exceed 10 years and may be subject to vesting conditions, as determined by the Administrator. Incentive stock options may only be granted to employees of the Company or any subsidiary that is a "subsidiary corporation" within the meaning of Section 424(f) of the Internal Revenue Code. The exercise price of any stock option award cannot be less than fair market value of the Company's common stock, provided, however, that an incentive stock option granted to an employee who owns more than 10% of the total combined voting power of all classes of stock of the Company or any parent or subsidiary, must have an exercise price of no less than 110% of the fair market value of the Company's common stock and a term that does not exceed five years. Vesting is subject to the option holder's continued service to the Company, ranging up to a four-year period. Unvested options are subject to forfeiture upon termination of employment. Subsequent to December 31, 2023, the Plan was terminated in accordance with the terms of the Business Combination Agreement and the options to purchase 3,646,921 shares of common stock were cancelled at the close of the Business Combination in accordance with the terms of the Business Combination Agreement. See Note 14. Subsequent Events.

The following table represents the total number of shares available for grant under the Plan:

| | Available for Grant |
|---|---|
| Balance as of December 31, 2021 | 3,578,276 |
| Granted | (541,208) |
| Cancelled | 22,396 |
| Balance as of December 31, 2022 | 3,059,464 |
| Cancelled | 293,615 |
| Balance as of December 31, 2023 | 3,353,079 |

The following table summarizes information regarding activity in the Plan during the years ended December 31, 2023 and 2022:

| | Number of Options | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Life (years) |
|---|---|---|---|
| Outstanding, December 31, 2021 | 3,421,724 | $ 8.77 | 9.2 |
| Granted | 541,208 | 6.50 | |
| Cancelled | (22,396) | 8.50 | |
| Outstanding, December 31, 2022 | 3,940,536 | 8.46 | 8.4 |
| Cancelled | (293,615) | 7.90 | |
| Outstanding, December 31, 2023 | 3,646,921 | $ 8.50 | 6.9 |
| Vested and exercisable and expected to vest, December 31, 2023 | 3,433,227 | $ 8.54 | 6.7 |
| Vested and exercisable, December 31, 2023 | 3,371,096 | $ 8.57 | 6.8 |

The options outstanding and exercisable as of December 31, 2023 were as follows:

| Exercise Prices | Number Outstanding | Weighted-Average Remaining Contractual Life (years) | Weighted-Average Exercise Price | Number Exercisable | Weighted-Average Exercise Price |
|---|---|---|---|---|---|
| $ 6.50 | 453,323 | 8.4 | $ 6.50 | 341,559 | $ 6.50 |
| 8.50 | 2,585,671 | 6.6 | 8.50 | 2,421,609 | 8.50 |
| 10.00 | 607,927 | 7.0 | 10.00 | 607,928 | 10.00 |
| | 3,646,921 | 6.9 | $ 8.50 | 3,371,096 | $ 8.57 |

The determination of the fair value of options granted during the year ended December 31, 2022 is computed using the Black-Scholes option pricing model with the following weighted-average assumptions:

| | 2022 |
|---|---|
| Expected option term (years) | 7.4 |
| Expected volatility | 69.1% |
| Risk-free rate of return | 2.5% |
| Expected annual dividend yield | — |

There were no options granted during the year ended December 31, 2023. The weighted-average grant date fair value of options granted was $2.27 per share for the year ended December 31, 2022.

Option pricing models require the input of various subjective assumptions, including the option's expected life and the price volatility of the underlying stock. The expected stock price volatility is based on the analysis of volatilities of the Company's selected public peer group over a period commensurate with the expected term of the options. The expected term of the employee stock options represents the weighted-average period the stock options are expected to remain outstanding and is based on the contractual terms, the vesting period and the expected remaining term of the outstanding options. The risk-free interest rate is based on the U.S. Treasury interest rates whose term in consistent with the expected life of the stock options. No dividend yield is included as the Company has not issued any dividends and do not anticipate issuing any dividends in the future.

The following table shows stock-based compensation expense by functional area in the consolidated statements of operations and comprehensive loss for the years ended December 31:

| | 2023 | 2022 |
|---|---|---|
| Research and development | $105,255 | $142,118 |
| Selling, general and administrative | 604,139 | 648,637 |
| | $709,394 | $790,755 |

No stock-based compensation expense was capitalized to inventory for the years ended December 31, 2023 and 2022.

As of December 31, 2023, there was $329,925 of total unrecognized compensation cost related to non-vested stock-based compensation awards under the Plan which will be recognized over a weighted-average period of 1.3 years.

## 11. National Institutes of Health Subaward

On August 18, 2022, the Company was awarded a grant of up to $1,078,347 as a subaward through the Board of Trustees of the University of Illinois for the purpose of developing a quantitative ultrasound breast scanner for identifying early response of breast cancer to chemotherapy. The grant is a cost reimbursement subaward that is allocated annually over five years, subject to the availability of funds and satisfactory progress of the project. The award expires July 31, 2027 and may be terminated by either party with 30 days written notice. Any grant proceeds received do not require repayment. Through the year ended December 31, 2023, the Company incurred total costs of $349,054 against year one allocation of $351,994 and year two allocation of $194,566. During the year ended December 31, 2023, the Company incurred costs of $318,276, of which $277,037 of grant income was recognized as an offset to research and development expense and $41,239 was recognized as an offset to selling, general and administrative expense in the consolidated statements of operations and comprehensive loss. During the year ended December 31, 2022, the Company incurred costs of $30,778, of which $22,503 of grant income was recognized as an offset to research and development expense and $8,275 was recognized as an offset to selling, general and administrative expense in the consolidated statements of operations and comprehensive loss. As of December 31, 2023 and 2022, the grant receivable was $161,638 and $30,778, respectively, and is included in prepaid expenses and other current assets on the consolidated balance sheets.

## 12. Income Taxes

Loss before income tax expense consisted of the following for the years ended December 31:

| | 2023 | 2022 |
|---|---|---|
| United States | $(6,097,351) | $(6,254,468) |
| International | — | — |
| Total loss before income tax expense | $(6,097,351) | $(6,254,468) |

Income tax expense consisted of the following for the years ended December 31:

| | 2023 | 2022 |
|---|---|---|
| Current: | | |
| Federal | $ — | $ — |
| State | 1,600 | 1,600 |
| Foreign | — | — |
| Total current tax expense | 1,600 | 1,600 |
| Deferred: | | |
| Federal | — | — |
| State | — | — |
| Foreign | — | — |
| Total deferred tax expense | — | — |
| Total income tax expense | $1,600 | $1,600 |

Income tax expense differed from the amount computed by applying the federal statutory income tax rate to pretax loss as a result of the following for the years ended December 31:

| | 2023 | 2022 |
|---|---|---|
| Federal tax at statutory rate | $(1,280,444) | $(1,313,438) |
| State taxes | (22,915) | (542,562) |
| Change in valuation allowance | 1,080,617 | 1,846,087 |
| Other | 224,342 | 11,513 |
| Total income tax expense | $ 1,600 | $ 1,600 |

The tax effects of temporary differences that give rise to the Company's deferred tax assets and liabilities are related to the following as of December 31:

| | 2023 | 2022 |
|---|---|---|
| Deferred tax assets: | | |
| Net operating losses | $ 3,070,085 | $ 2,280,097 |
| Stock-based compensation | 856,902 | 784,932 |
| Operating lease liabilities | 386,588 | 516,031 |
| Section 174 expenses, net | 487,860 | 476,842 |
| Accruals and reserves | 489,382 | 227,221 |
| Intangible assets | 118,691 | 214,100 |
| Property and equipment | 90,104 | 44,128 |
| Gross deferred tax assets | 5,499,612 | 4,543,351 |
| Valuation allowance | (5,155,597) | (4,074,980) |
| Net deferred tax assets | 344,015 | 468,371 |
| Deferred tax liabilities: | | |
| Operating lease right-of-use assets | (344,015) | (468,371) |
| Net deferred tax assets | $ — | $ — |

As of December 31, 2023, based on the Company's recent history of losses and its forecasted losses, management believes on the more-likely-than-not basis that a full valuation allowance is required. Accordingly, the Company provided a full valuation allowance on its federal and state deferred tax assets. During the years ended December 31, 2023, and 2022, the valuation allowance increased by $1,080,617 and $1,846,087. As of December 31, 2023, the Company had federal and state net operating loss ("NOL") carryforwards of $10,700,000 and $12,448,000 respectively. The federal NOL will not expire and the state NOL will begin to expire in 2040.

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is a follows as of December 31:

| | 2023 | 2022 |
|---|---|---|
| Balance as the beginning of the year | $49,255 | $ — |
| Increases related to prior year tax positions | — | 47,882 |
| Increases related to current year tax positions | — | 1,373 |
| Balance as the end of the year | $49,255 | $49,255 |

The unrecognized tax benefits for the year ended December 31, 2023, if recognized, would not affect the effective income tax rate due to the valuation allowance that currently offsets the deferred tax assets. It is reasonably possible that the unrecognized tax benefits balance will change within twelve months by a range of zero to $49,255 due to the Company's intent to file a tax accounting method change.

The Company files income tax returns in the federal and California state jurisdictions. The Company's tax years for 2020 and forward are subject to examination by the federal and California tax authorities.

## 13. Related Party Transactions

***Convertible Notes Payable***

In July 2020, the Company issued three convertible notes to three of its stockholders for advances up to $3,500,000 in principal (the "2020 Notes") and bearing annual interest of 5% on any amounts drawn. An additional note was issued in March 2022 as part of the 2020 Notes, but with an annual interest rate of 8%. All principal and interest payments are due on or before July 1, 2025. The 2020 Notes are convertible, at the holder's option, into shares of common stock of the Company at the lower of $5.00 per share or the offering price in a financing of at least $5,000,000 in equity from unaffiliated parties. As of December 31, 2023, an aggregate of 704,299 shares of common stock would be issued if the entire principal and interest under the 2020 Notes was converted. Management assessed whether the embedded features in the 2020 Notes should have been bifurcated from the debt host and concluded that none of the features were required to be accounted for separately from the debt instruments.

In November 2023, $200,000 of the 2020 Notes plus accrued interest of $33,644 was converted through a negotiated induced conversion to 100,000 shares of common stock, which resulted in an induced conversion expense of $168,356 to other expenses in the consolidated statements of operations and comprehensive loss. The induced conversion expense represented the fair value of the common stock issued upon conversion in excess of the common stock issuable under the original terms of the 2020 Notes. As of December 31, 2023 and 2022, the outstanding amount of the 2020 Notes was $3,143,725 and $3,343,725 and accrued interest of $377,772 and $230,627, respectively. Interest expense for the years ended December 31, 2023 and 2022 was $180,789 and $137,709, respectively.

***Working Capital Loans***

On May 3, 2023, the Company issued a promissory note (the "Working Capital Note") to a shareholder for a principal amount of $250,000. The Working Capital Note was subsequently amended and restated six times on June 12, 2023 to add an additional principal amount of $100,000, August 15, 2023 to add an additional principal amount of $75,000, August 29, 2023 to add an additional principal amount of $100,000, September 12, 2023 to add an additional principal amount of $75,000, September 15, 2023 to add an additional principal amount of $50,000, and October 26, 2023 to add an additional principal amount of $55,000, for an aggregate principal amount outstanding as of December 31, 2023 under the Working Capital Note of $705,000. The Working Capital Note was issued to provide the Company with additional working capital during the period prior to consummation of the Business Combination Agreement with GigCapital5. The Working Capital Note is interest-free and matures on the earlier of (i) the date on which the Company consummates the Business Combination with GigCapital5; (ii) the date the Company winds up; or (iii) December 31, 2023. The Working Capital Note may be prepaid without penalty. The Company determined that the imputed interest on the Working Capital Note was not significant for the year ended December 31, 2023. Subsequent to December 31, 2023, the related party to the Working Capital Note agreed to extend and subordinate the promissory note pursuant to and in accordance with the terms of the Business Combination Agreement. Effective on the Closing of the Business Combination, the Working Capital Note cannot be repaid prior to the repayment or conversion of the Pre-Paid Advance received from Yorkville (see Note 14. Subsequent Events).

***Management Services and Business Associate Agreement***

In September 2020, the Company entered into a Management Services Agreement (the "Agreement") and a Business Associate Agreement with John C. Klock, M.D., a California sole proprietorship (the "Practice"). John C. Klock, M.D. is the Chief Executive Officer of the Company, serves on its Board of Directors, and is the largest single shareholder of the Company. The Practice provides medical imaging to patients using the QT Breast Scanner. Under the terms of the Agreement, the Company agreed to provide business services to the Practice including use of the facility which formerly operated as the Marin Breast Health Trial Center, including furniture and medical equipment, as well as use of certain personnel. In exchange for those services, the Practice agreed to pay the Company a management fee. Fees paid to the Company during the years ended December 31, 2023 and 2022 were $48,000 each year, and were recorded as a reduction to selling, general and administrative expenses on the consolidated statements of operations and comprehensive loss. Additionally, during the years ended December 31, 2023 and 2022, the Practice made product purchases from the Company of $8,100 and $7,200, respectively. As of December 31, 2023 and 2022, there were no amounts due to or due from the Practice.

***Deferred Revenue***

In July 2023, an order was placed and a downpayment of $200,000 was made for a breast imaging system by 303 Development Corporation (the "Foundation"). The executive director of the Foundation is a current investor and board member of the Company. In September 2023, an additional $100,000 was paid towards the purchase.

## 14. Subsequent Events

Subsequent events were evaluated through March 22, 2024, which is the date the consolidated financial statements were available to be issued.

***Merger Agreement and Related Activities***

In February 2024, GigCapital5 and the Company (together the "parties") entered into a subscription agreement with William Blair & Co., L.L.C. ("William Blair") for the purchase of shares of common stock of the Company. Pursuant to the subscription agreement, the Company issued to William Blair in satisfaction of certain fees owed to William Blair for its services to the parties, that number of shares of the Company which at the completion of the Business Combination would be converted in accordance with the terms of the Business Combination Agreement into 740,000 shares of QTI Holdings common stock.

In February 2024, the parties agreed to amend one of the September 2023 Non-Redemption Agreements, pursuant to which, and in addition to the QT Holdings common stock issuable Mizuho Securities USA, LLC ("Mizuho") under the September 2023 Non-Redemption Agreement, Mizuho shall receive from the Company, in exchange for $250,000 of services rendered by Mizuho, that number of Company's common stock that will be converted in accordance with the terms of the Business Combination Agreement into 100,000 shares of QTI Holdings common stock.

In February 2024, the Company and GigCapital5 entered into two additional subscription agreements with each of Donnelley Financial Solutions, LLC ("DFIN") and IB Capital LLC ("iBankers"), dated as of February 23, 2024 and February 22, 2024, respectively (together, the "Subscription Agreements"), for the purchase of shares of common stock of the Company. Pursuant to the Subscription Agreements, the Company will issue to each of DFIN and iBankers in satisfaction of $500,000 and $600,000 of fees owed to DFIN and iBankers, respectively, for their services, that number of shares of the Company which at the completion of the Business Combination will be converted in accordance with the terms of the Business Combination Agreement into 200,000 and 240,000 respective shares of QTI Holdings common stock.

In February 2024, GigCapital5 and the Company entered into a Note Purchase Agreement ("Cable Car NPA") with Funicular Funds, LP ("Cable Car"), pursuant to which Cable Car agreed to advance $1,500,000 at the closing of the Business Combination, as was evidenced by a promissory note that may be convertible in certain circumstances into shares of QTI Holdings common stock at a conversion price of $2.00 per share (the "Loan"), dated March 4, 2024, by and between the Company and Cable Car. The Loan does not bear interest, and is due and payable 13 months after issuance, unless the time for payment is accelerated as a result of an event of default. As full compensation to Cable Car for the Loan to QTI Holdings in lieu of any simple or in-kind interest on the Loan, the Company issued to Cable Car that number of shares of the Company which at the completion of the Business Combination would be converted in accordance with the terms of the Business Combination Agreement into 180,000 shares of QTI Holdings common stock. The Company, and its wholly owned subsidiary, QT Ultrasound Labs, Inc., at the closing also provided a guaranty (the "Cable Car Guaranty"), whereby each of them unconditionally guaranteed, as primary obligor and not merely as surety, the prompt and complete payment and performance when due, whether by demand, acceleration or otherwise, of the obligations of QTI Holdings under the Loan in the currency in which and as such obligations are to be paid or performed. Furthermore, QTI Holdings and the parties to the Cable Car Guaranty (the "Grantors") granted a security interest in certain of their assets, which among other things, do not include their intellectual property assets, pursuant to the terms of a Security Agreement, dated March 4, 2024, by and between the Grantors and Cable Car.

In February 2024, the Company and LionBay Ventures ("LionBay") entered into a Settlement and Termination Agreement ("Termination Agreement"). Pursuant to the terms of the Termination Agreement, the Company terminated its Service Agreement with LionBay dated May 18, 2021 and the First Amendment of the Service Agreement dated September 1, 2021 (collectively as "Service Agreement"). In exchange for the termination of the Service Agreement and the termination of options to purchase 17,000 shares of common stock with a strike price of $8.50 per option that were issued as part of the Service Agreement, the Company agreed to issue 10,000 shares of QTI Holdings common stock.

On March 1, 2024, the Company received $500,000 in exchange for 583,596 shares of the Company's common stock, which converted into 200,000 shares of QTI Holdings common stock in accordance with the terms of the subscription agreement and Business Combination Agreement on March 4, 2024.

On March 4, 2024, QTI Holdings (f/k/a GigCapital5) consummated its Business Combination with the Company, pursuant to the Business Combination Agreement, dated as of December 8, 2022.

On March 4, 2024 and in accordance with the terms of the Business Combination Agreement, the Company cancelled and terminated all outstanding warrants that were deemed out of the money with an exercise price of or above $4.00 per share, including all warrants sold as part of the Units in the 2022 Offering and warrants that were issued to consultants and placement agents in association with debt issuance and past private offerings.

On March 4, 2024, the Company terminated the Plan and cancelled 3,646,921 of outstanding options under the Plan in accordance with the terms of the Business Combination Agreement.

On March 4, 2024, the Company received the Pre-Paid Advance of $9,005,000 of net proceeds from Yorkville ("Yorkville Note") that will be due 15 months from the date of issuance, and interest shall accrue on the outstanding balance of the Yorkville Note at an annual rate equal to 6%, subject to an increase to 18% upon an event of default as described in the Yorkville Note. The Yorkville Note shall be convertible by Yorkville into shares of QTI Holdings common stock. As consideration for the Pre-Paid Advance, immediately prior to, and substantially concurrently with, the closing of the Business Combination, the Company issued to Yorkville that number of shares of the Company which converted in the aggregate into 1,000,000 shares of common stock of QTI Holdings upon the completion of the Business Combination.

On March 4, 2024, the Note principal and related accrued interest balance of $3,233,388 and the US Capital Note principal balance of $200,000 was converted into 1,048,330 and 291,798 shares of Company common stock, respectively. Additionally, warrants to purchase 60,329 shares of the Company's common stock were net settled into 16,320 shares of the Company's common stock.

On March 4, 2024, as consideration for the September 2023 Non-Redemption, the Company issued 427,477 shares of QTI Holdings common stock to Non-Redeeming Shareholders.

On March 4, 2024, four of the five Bridge Lenders elected the cash payment option of $240,000 per Bridge Loan for a total of $960,000.

**QT IMAGING MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion and analysis provides information that the management of QT Imaging believes is relevant to an assessment and understanding of the consolidated results of operations and financial condition of QT Imaging. The discussion should be read in conjunction with the "Summary Historical Financial Information of QT Imaging" and QT Imaging's audited consolidated financial statements, including the notes thereto, attached as Exhibit 99.1 to the Amendment No. 1 to the Current Report on Form 8-K/A to which this is an exhibit.*

*This discussion contains forward-looking statements based upon QT Imaging management's current beliefs and expectations that involve risks, uncertainties, assumptions and other factors that could cause actual results to differ materially from those made or implied in the forward-looking statements. QT Imaging's actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and those set forth under "Risk Factors" and elsewhere in the final proxy statement/prospectus (the "**Final Proxy Statement/Prospectus**") filed with the Securities and Exchange Commission (the "**SEC**") on February 7, 2024 by GigCapital5, Inc. ("**GigCapital5**"), now known as QT Imaging Holdings, Inc. ("**QTI Holdings**"). Accordingly, you are cautioned not to place undue reliance on these forward-looking statements, which reflect QT Imaging management's analysis only as of the date hereof.*

*Unless the context otherwise requires, references in this "Management's Discussion and Analysis of Condition and Results of Operations of QT Imaging" to "we," "our," "us," "QT Imaging," and the "Company" refer to the business and operations of QT Imaging and its subsidiary prior to the Merger. Terms not defined herein are as defined in the Final Proxy Statement/Prospectus.*

**Overview**

We are a medical device company engaged in the research, development, and commercialization of innovative body imaging systems using low energy sound. We believe that medical imaging is critical to the detection, diagnosis, monitoring and treatment of diseases, and we believe that it should be made safe, affordable and accessible. Our goal is to improve global health outcomes by leveraging imaging device technologies to tackle critical healthcare challenges with accuracy and precision without exposure to ionizing radiation.

With nearly $18 million in grants committed by the U.S. National Cancer Institute (part of the U.S. National Institutes of Health) to support the development of the QT Breast Scanner, QT Imaging has developed a body imaging technology that has a comparatively high resolution, sensitivity, specificity, and positive and negative predictive values. The technology is based on ultra-low frequency transmitted sound and uses a sound back- scatter design and inverse-scattering reconstruction to create its images.

Since our inception, we have devoted substantially all our financial resources to acquiring and developing the base technology for our body imaging systems, conducting research and development activities, securing related intellectual property rights, and for general corporate operations and growth. Our first product, the QT Breast Scanner, received FDA's 510(k) market clearance in 2017.

We have incurred net operating losses and negative cash flows from operations since our inception and had an accumulated deficit of $17,770,145 as of December 31,2023. During the year ended December 31, 2023, we incurred a net loss of $6,098,951 and used $2,651,143 of cash in operating activities. We to continue to incur losses, and our ability to achieve and sustain profitability will depend on the achievement of sufficient revenues to support our cost structure. We may never achieve profitability and, unless and until we do, we will need to continue to raise additional capital.

We expect to incur additional recurring administrative expenses associated as a publicly traded company, including costs associated with compliance under the Exchange Act of 1934, as amended (the "***Exchange Act***"), annual and quarterly reports to shareholders, transfer agent fees, audit fees, incremental director and officer liability insurance costs, Sarbanes-Oxley Act compliance readiness, and director and officer compensation.

**Recent Developments**

On October 26, 2023, the QTI Working Capital Note (as defined below) was amended to increase the outstanding principal amount to $705,000 and extend the potential maturity date from December 1, 2023 to December 31, 2023. Subsequent to December 31, 2023, the QTI Working Capital Note was agreed to be amended and subordinated pursuant to and in accordance with the terms of the Business Combination Agreement. Effective on the Closing of the Business Combination, the QTI Working Capital Note cannot be repaid prior to the repayment or conversion of the Pre-Paid Advance received from YA II PN, Ltd., an investment fund managed by Yorkville Advisors Global, LP, and its affiliates ("***Yorkville***").

On November 10, 2023, we, Merger Sub and GigCapital5 entered into the Third Amendment to Business Combination Agreement, which, among other things, amended certain definitions of the Business Combination Agreement.

On November 10, 2023, we entered into a Securities Purchase Agreement and raised a private secured convertible bridge financing in the aggregate amount of $1,000,000 ("***Bridge Loan***") from five investors ("***Bridge Lenders***") led by Meteora Capital Partners, LP ("***Meteora***") and collateralized by all of our assets. The notes from the Bridge Loan are interest-free but at the option of the holder, (a) can be repaid at the Closing of the Business Combination by the QTI Holdings in cash in the amount of $240,000, or (b) is convertible immediately prior to the Closing of the Business Combination into such number of shares of QT Imaging common stock that upon the completion of the Business Combination and the application of the Exchange Ratio will be exchanged for such consideration as is provided for in the Business Combination Agreement, including that number of shares of QTI Holdings common stock as is equal in the aggregate to 500,000 shares of QTI Holdings common stock. On March 4, 2024, four of the five Bridge Lenders elected to be repaid in cash for an aggregate of $960,000 and one Bridge Lender converted $200,000 into 100,000 shares of QTI Holdings common stock.

We and GigCapital5 also entered into the stock subscription agreements dated November 10, 2023 with three of the Bridge Lenders as subscribers for the purchase of shares of QT Imaging common stock at an aggregate purchase price of $3,000,000 in such amount that upon the completion of the Business Combination and the application of the Exchange Ratio will be exchanged for such consideration as is provided for in the Business Combination Agreement, including that number of shares of QTI Holdings common stock as is equal in the aggregate to 1,200,000 shares of QTI Holdings common stock. Immediately prior to the close of the Business Combination, each subscriber received that number of shares of QT Imaging common stock that upon the completion of the Business Combination was exchanged for 50,000 shares of QTI Holdings common stock. In addition, as consideration for its services for the stock subscription agreements, Meteora received that number of shares of QT Imaging common stock that upon the completion of the Business Combination was exchanged for 50,000 shares of QTI Holdings common stock (the aggregate amount of shares of QTI Holdings common stock in this and immediately preceding sentence are collectively referred to as "Early Investor Consideration Shares"). On March 4, 2024, three of the Bridge lenders received an aggregate 1,400,000 shares of QTI Holdings common stock in accordance with the stock subscription agreements noted above.

On November 10, 2023, we entered into a Fourth Amendment and Termination Agreement ("***Fourth Amendment***") of the private placement agreement dated December 15, 2020 with US Capital Global QT Ultrasound LLC ("USCG QT"), an affiliate of US Capital Global ("US Capital" or "USCG"). In conjunction with this Fourth Amendment, we, US Capital, and Meteora executed a subordination agreement (the "***USCG Subordination***") whereby we granted USCG QT a warrant to purchase 25,000 shares of QT Imaging common stock with a strike price of $2.50 in exchange for subordinating their senior secured position to Meteora. US Capital was also issued a $200,000 senior secured convertible promissory note (the "US Capital Note") by us as part of the Bridge Loan to terminate the private placement agreement on a go forward basis (see the Bridge Loan above), a warrant to purchase 35,329 shares of QT Imaging common stock with a strike price of $2.50 and was entitled to a commission payable of $20,000 in connection with the Bridge Loan. On March 4, 2024, these warrants automatically net exercised into 16,320 shares of QT Imaging common stock and subsequently converted into 5,594 shares of QTI Holdings common stock pursuant to the terms of the Business Combination Agreement.

On November 10, 2023, two related party holders of the 2020 Notes converted a total outstanding balance of $200,000 plus $33,644 of accrued interest into 100,000 shares of QT Imaging common stock.

On November 15, 2023, we entered into a Standby Equity Purchase Agreement with GigCapital5 and Yorkville, pursuant to which, upon the closing of the Business Combination, the QTI Holdings can sell to Yorkville up to $50.0 million of QTI Holdings common stock at QTI Holdings' request any time during the 36 months following the closing of the Business Combination. In addition, QTI Holdings can also request a Pre-Paid

Advance from Yorkville up to an amount of $10.0 million at the Closing of the Business Combination as evidenced by the Yorkville Note. As consideration for the Pre-Paid Advance, immediately prior to, and substantially concurrently with, the Closing of the Business Combination, we issued to Yorkville that number of our shares which converted in the aggregate into 1,000,000 shares of QTI Holdings common stock upon the completion of the Business Combination. On March 4, 2024, we received the Pre-Paid Advance of $9,005,000 of net proceeds from Yorkville ("Yorkville Note") that will be due 15 months from the date of issuance, and interest shall accrue on the outstanding balance of the Yorkville Note at an annual rate equal to 6%, subject to an increase to 18% upon an event of default as described in the Yorkville Note. The Yorkville Note shall be convertible by Yorkville into shares of QTI Holdings common stock.

On November 22, 2023, we, Merger Sub and GigCapital5 entered into the Fourth Amendment to Business Combination Agreement which extended the Outside Date (as defined in the Business Combination Agreement) from December 31, 2023 to March 31, 2024.

On December 19, 2023, we entered into an additional stock subscription agreement for the aggregate purchase price of $500,000 in such amount that upon the completion of the Business Combination and the application of the Exchange Ratio will be exchanged for such consideration as is provided for in the Business Combination Agreement, including that number of shares of QTI Holdings common stock as is equal in the aggregate to 200,000 shares of QTI Holdings Common stock. On February 28, 2024, we received $500,000 in exchange for 583,596 shares of QT Imaging common stock, which converted into 200,000 shares of QTI Holdings common stock in accordance with the terms of the Business Combination Agreement.

In February 2024, we and GigCapital5 (together the "***parties***") entered into a Subscription Agreement with William Blair & Co., L.L.C. ("***William Blair***") for the purchase of shares of QT Imaging common stock. Pursuant to the Subscription Agreement, we issued to William Blair in satisfaction of certain fees owed to William Blair for its services to the parties, that number of shares of QT Imaging common stock which at the completion of the Business Combination would be converted in accordance with the terms of the Business Combination Agreement into 740,000 shares of QTI Holdings common stock.

In February 2024, the parties agreed to amend one of the September 2023 Non-Redemption Agreements, pursuant to which, and in addition to the QT Holdings common stock issuable Mizuho Securities USA, LLC ("***Mizuho***") under the September 2023 Non-Redemption Agreement, Mizuho shall receive from us, in exchange for $250,000 of services rendered by Mizuho, that number of QT Imaging common stock that will be converted in accordance with the terms of the Business Combination Agreement into 100,000 shares of QTI Holdings common stock.

In February 2024, the parties agreed to amend one of the September 2023 Non-Redemption Agreements to provide that in addition to the QTI Holdings common stock issuable to Mizuho Securities USA, LLC ("***Mizuho***"). On March 4, 2024, and pursuant to the September 2023 Non-Redemption Agreement and in exchange for $250,000 of services rendered, Mizuho received that number of Company's common stock that converted into 100,000 shares of QTI Holdings common stock in accordance with the terms of the Business Combination Agreement.

In February 2024, we and GigCapital5 entered into two additional subscription agreements with each of Donnelley Financial Solutions, LLC ("***DFIN***") and IB Capital LLC ("***iBankers***"), dated as of February 23, 2024 and February 22, 2024, respectively (together, the "Subscription Agreements"), for the purchase of shares of QT Imaging common stock. Pursuant to the Subscription Agreements, we issued to each of DFIN and iBankers in satisfaction of $500,000 and $600,000 of fees owed to DFIN and iBankers, respectively, for their services, that number of shares of QT Imaging common stock which at the completion of the Business Combination converted in accordance with the terms of the Business Combination Agreement into 200,000 and 240,000 respective shares of QTI Holdings common stock.

In February 2024, we and GigCapital5 entered into a Note Purchase Agreement ("***Cable Car NPA***") with Funicular Funds, LP ("***Cable Car***"), pursuant to which Cable Car agreed to advance $1,500,000 at the closing of the Business Combination, as was evidenced by a promissory note that may be convertible in certain circumstances into shares of QTI Holdings common stock at a conversion price of $2.00 per share (the "***Loan***") dated March 4, 2024 by and between us and Cable Car. The Loan does not bear interest, and is due and payable 13 months after issuance, unless the time for payment is accelerated as a result of an event of default. As full compensation to Cable Car for the Loan to QTI Holdings in lieu of any simple or in-kind interest on the Loan, we issued to Cable Car that number of shares of QT Imaging common stock which at the completion of the Business Combination were converted in accordance with the terms of the Business Combination Agreement into 180,000 shares of QTI Holdings common stock. QT Imaging, and its wholly owned subsidiary, QT Ultrasound Labs, Inc., at the Closing also provided a guaranty (the "***Cable Car Guaranty***"), whereby each of them unconditionally guaranteed, as primary obligor and not merely as surety, the prompt and complete payment and performance when due, whether by demand, acceleration or otherwise, of the obligations of QTI Holdings under the Loan in the currency in which and as such obligations are to be paid or performed. Furthermore, QTI Holdings and the parties to the Cable Car Guaranty (the "***Grantors***") granted a security interest in certain of their assets, which among other things, do not include their intellectual property assets, pursuant to the terms of a Security Agreement, dated March 4, 2024, by and between the Grantors and Cable Car.

In February 2024, we and LionBay Ventures ("***LionBay***") entered into a Settlement and Termination Agreement ("***Termination Agreement***"). Pursuant to the terms of the Termination Agreement, we terminated its Service Agreement with LionBay dated May 18, 2021 and the First Amendment of the Service Agreement dated September 1, 2021 (collectively as "Service Agreement"). In exchange for the termination of the Service Agreement and the termination of options to purchase 17,000 shares of QT Imaging common stock with a strike price of $8.50 per option that were issued as part of the Service Agreement, we agreed to issue 10,000 shares of QTI Holdings common stock.

On March 4, 2024, QTI Holdings (f/k/a GigCapital5) consummated its Business Combination with QT Imaging, pursuant to the Business Combination Agreement, dated as of December 8, 2022.

On March 4, 2024 and in accordance with the terms of the Business Combination Agreement, we cancelled and terminated all outstanding warrants that were deemed out of the money with an exercise price of or above $4.00 per share, including all warrants sold as part of the Units in the 2022 Offering and warrants that were issued to consultants and placement agents in association with debt issuance and past private offerings.

On March 4, 2024, we terminated the Plan and cancelled 3,646,921 of outstanding options under the Plan in accordance with the terms of the Business Combination Agreement.

On March 4, 2024, the Note principal and related accrued interest balance of $3,233,388 and the US Capital Note principal balance of $200,000 was converted into 1,048,330 and 291,798 shares of QT Imaging common stock, respectively. Additionally, warrants to purchase 60,329 shares of QT Imaging common stock were net settled into 16,320 shares of QT Imaging common stock, which then converted into 5,594 shares of QTI Holdings common stock in accordance with the terms of the Business Combination Agreement.

On March 4, 2024, as consideration for the September 2023 Non-Redemption, we issued 427,477 shares of QTI Holdings common stock to Non-Redeeming Shareholders.

**Components of Our Results of Operations**

***Revenue***

Revenue consists of revenue from the sale of our products including the QT Breast Scanner, accessories, and related services, which are primarily training and maintenance. For sales of products (which include the QT Breast Scanner and any accessories), revenue is recognized when a customer obtains control of the promised goods. The amount of revenue recognized reflects the consideration we expect to be entitled to receive in exchange for these goods. Service revenue is generally related to maintenance and training the customer. Service revenue is recognized at the time the related performance obligation is satisfied, in an amount that reflects the consideration that we expect to receive in exchange for those services.

***Cost of Revenue***

Cost of revenue consists of our product costs, including manufacturing costs, personnel costs and benefits, duties and other applicable importing costs, shipping and handling costs, packaging, warranty replacement costs, fulfillment costs and inventory obsolescence and write-offs. We expect our cost of revenue to increase in absolute dollars and decrease as a percentage of revenues over time as we shift to new manufacturing processes and vendors that we anticipate will result in greater efficiency and lower per unit costs.

We expect we will continue to invest additional resources into our products to expand and further develop our offerings. The level and timing of investment in these areas could affect our cost of revenue in the future.

***Operating Expenses***

*Research and Development Expenses*

Research and development expenses consist primarily of costs incurred in connection with the research and development of our products, which include payroll and payroll related expenses, facilities costs, depreciation expense, materials and supplies, and consultant costs.

We expense all research and development costs in the periods in which such costs are incurred. Research and development activities are central to our business. We expect that our research and development expenses will increase substantially for the foreseeable future as we continue to invest in the development of the QT Breast Scanner and devote significant resources to the research and development of the full-body scanner product candidate intended for orthopedic and pediatric use.

As of the date of Amendment No. 1 to the Current Report on Form 8-K/A to which this is an exhibit, we cannot reasonably determine the nature, timing and costs of the efforts that will be necessary to complete the enhancements of the QT Breast Scanner, or estimate the nature, timing and costs that will be necessary to complete the development of, and obtain regulatory approval for, the full-body scanner product candidate. The process of conducting the necessary research and development to obtain regulatory approval of a product candidate is costly and time-consuming, and the successful development of our product candidates is highly uncertain. Our research and development expenses may vary significantly based on factors such as, without limitation:

- The timing and progress of development activities;
- Our ability to maintain our current research and development programs and to establish new ones;
- The receipt of regulatory approvals from applicable regulatory authorities without the need for independent clinical trials or validation;
- Duration of subject participation in any trials and follow-ups;
- The countries and jurisdictions in which the trials are conducted;
- Length of time required to enroll eligible subjects and initiate trials;
- Per trial subject costs;
- Number of trials required for regulatory approval;
- The timing, receipt, and terms of any marketing approvals from applicable regulatory authorities;
- The success of our international distribution arrangements, and our ability to establish new licensing or collaboration arrangements;
- Establishing scale commercial manufacturing abilities or making arrangements with third-party manufacturers;
- The hiring and retention of research and development personnel;
- Obtaining, maintaining, defending, and enforcing intellectual property rights; and
- The phases of development of our product candidates.

Any changes in the outcome of any of these variables with respect to the development of our products or product candidates could significantly change the costs and timing associated with the development of these products and product candidates.

*Selling, General and Administrative Expenses*

Selling, general and administrative expenses consist primarily of personnel costs, costs related to maintenance and filings of intellectual property, and other expenses for outside professional services, including legal, consulting, investor relations, audit and accounting services. Our personnel costs consist of salaries, benefits and stock-based compensation expenses. Selling, general and administrative expenses include facilities, depreciation and other expenses, which include direct or allocated expenses for rent and maintenance of facilities and insurance. Selling, general and administrative expenses also include consulting expenses and costs for conferences, meetings, and other events.

We anticipate that our selling, general and administrative expenses will increase to support our expanding headcount and operations, increased costs of operating as a public company, the development of a commercial infrastructure to support commercialization of our products and product candidates, and the use of outside service providers such as insurers, consultants, lawyers, and accountants. Our selling expenses are anticipated to increase in the long term as we continue to increase the size of our direct sales force and sales support personnel and expand into new products and markets. We also expect selling expenses to increase in the near term as we promote our brand through marketing and advertising initiatives, expand market presence and hire additional personnel to drive penetration and generate leads.

**Results of Operations**

*Comparison of the years ended December 31, 2023 and 2022*

| | For Years Ended December 31, | | Change | |
|---|---|---|---|---|
| | 2023 | 2022 | $ | % |
| Revenue | $ 40,355 | $ 708,244 | $ (667,889) | (94)% |
| Cost of revenue | 134,988 | 556,925 | (421,937) | (76)% |
| Gross profit (loss) | (94,633) | 151,319 | (245,952) | (163)% |
| Operating expenses: | | | | |
| Research and development | 1,485,636 | 2,386,086 | (900,450) | (38)% |
| Selling, general and administrative | 3,427,690 | 3,551,527 | (123,837) | (3)% |
| Total operating expenses | 4,913,326 | 5,937,613 | (1,024,287) | (17)% |
| Loss from operations | (5,007,959) | (5,786,294) | (778,335) | (13)% |
| Other expense | (544,566) | — | 544,566 | 100% |
| Interest expense, net | (544,826) | (468,174) | 76,652 | 16% |
| Loss before income tax expense | (6,097,351) | (6,254,468) | (157,117) | (3)% |
| Income tax expense | 1,600 | 1,600 | — | 0% |
| Net loss and comprehensive loss | $(6,098,951) | $(6,256,068) | $ (157,117) | (3)% |

***Revenue***

Revenue decreased by $667,889 to $40,355 for the year ended December 31, 2023 from $708,244 for the year ended December 31, 2022. The decrease in revenue was primarily attributable to the sale of two QT Breast Scanners in 2022 as compared with no scanners sold in 2023 due to the timing of sales orders received and availability of scanners that were earmarked and ready for sale to customers.

### ***Cost of Revenue***

Cost of revenue decreased by $421,937 to $134,988 for the year ended December 31, 2023 from $556,925 for the year ended December 31, 2022. The decrease in cost of revenue was primarily attributable to the sale of two QT Breast Scanners in 2022 as compared with no scanners sold in 2023, which was partially offset by inventory write-offs.

### ***Operating Expenses***

*Research and Development Expenses*

Research and development expenses decreased by $900,450 to $1,485,636 for the year ended December 31, 2023 from $2,386,086 for the year ended December 31, 2022. The decrease in research and development expenses was primarily attributable to a decrease in professional and outside services of $505,219 as we paused a major component redesign of the QT Breast Scanner to preserve cash, a decrease of $160,262 in depreciation and amortization, and a decrease of $26,839 in research supplies and materials, partially offset by an increase in research and development grant income of $193,132.

*Selling, General and Administrative Expenses*

General and administrative expenses decreased by $123,837 to $3,427,690 for the year ended December 31, 2023 from $3,551,527 for the year ended December 31, 2022. This change was primarily due to a decrease in employee compensation costs of $374,048 as a result of a reduction in headcount in 2023, partially offset by an increase in professional services expense of $266,475 related to the business combination process.

*Other expense*

Other expenses increased by $544,566 during the year ended December 31, 2023. There were no other expenses during the year ended December 31, 2022. This increase was primarily due to a debt extinguishment loss of $376,086 related to an amendment and issuance of the senior secured convertible promissory note to US Capital as part of the Bridge Loan, and an induced conversion expense of $168,356 related to the conversion of the principal balance and accrued interest of the 2020 Notes into 100,000 shares of QT Imaging common stock.

*Interest expense, net*

Interest expense, net increased by $76,652 to $544,826 for the year ended December 31, 2023 from $468,174 for the year ended December 31, 2022. This change is primarily driven by the amortization of debt discount of $30,458 for Bridge Loans and an increase in interest expense of $43,080 for the convertible notes payable with related parties.

## **Liquidity and Capital Resources**

### ***Sources of Liquidity***

To date, we have financed our operations primarily through the sale of equity securities, issuances of convertible notes, grants from the U.S. government, and other debt. Since our inception, we have incurred significant operating losses and negative cash flows. As of December 31, 2023 and 2022, we had an accumulated deficit of $17,770,145 and $11,671,194, respectively. As of December 31, 2023 and 2022, we had cash and restricted cash and cash equivalents of $184,686 and $475,076, respectively. Our primary uses of cash are for general working capital requirements, and capital expenditures. Cash flows from operations have been historically negative as we invested in product development, clinical trials, and manufacturing. We expect to be cash flow negative for the foreseeable future, although we may have quarterly results where cash flows from operations are positive.

In connection with the Business Combination, we entered into various agreements to obtain financing through the issuance of debt and through stock subscription agreements. Subsequent to December 31, 2023, we received the Pre-Paid Advance net of issuance costs of $9,005,000 from Yorkville pursuant to the Standby Equity Purchase Agreement, $500,000 of cash proceeds from an investor related to a stock subscription agreement, and $1,500,000 in cash proceeds through a note payable from Funicular Funds, LP. The Standby Equity Purchase Agreement provides us with access to an additional $40 million of potential capital through the issuance of common stock to Yorkville. During the time we have a balance under the Pre-Paid Advance, advances can be received with written consent of Yorkville or upon a trigger event, which occurs when the daily volume-weighted average price is less than $2.00 per share for five consecutive trading days. We believe that the additional cash received and financing arrangements at the closing of the Business Combination will be sufficient to fund our current operating plan for at least the next 12 months from the date of issuance of the accompanied consolidated financial statements.

Our future capital requirements will depend on many factors, including our growth rate, the timing and extent of our spending to support research and development activities, the timing and cost of establishing additional sales and marketing capabilities, and the timing and cost to introduce new and enhanced products. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. Any additional debt financing obtained by us in the future could also involve restrictive covenants relating to our capital-raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. Additionally, if we raise additional funds through further issuances of equity, convertible debt securities or other securities convertible into equity, our existing stockholders could suffer significant dilution in their percentage ownership of QT Imaging, and any new equity securities we issue could have rights, preferences and privileges senior to those of holders of our common stock. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to grow or support our business and to respond to business challenges could be significantly limited.

***Paycheck Protection Program Loan***

On February 24, 2021 and May 5, 2020, we received loans ("***PPP Loans***") from US Bank to fund payroll, rent and utilities through the Paycheck Protection Program ("***PPP***"). We received partial forgiveness on the PPP Loans during fiscal year 2021. The remaining balances on the PPP Loans are being repaid on a monthly basis, with interest of 1% per annum and the final payment due in February 2026.

As of December 31, 2023, the total principal outstanding under the PPP Loans was $226,348, of which $130,366 was current and $95,982 was noncurrent. As of December 31, 2022, the total principal outstanding under the PPP Loans was $355,405, of which $129,057 was current and $226,348 was noncurrent.

***Convertible Notes Payable***

In June 2021, we entered into a convertible promissory note agreement (the "Note") with USCG for advances of up to $10,000,000. Advances on the Note can be made to us up to six months after the inception of the Note unless extensions for advances to be made is mutually agreed between both parties. The Note bears interest at 12% per annum on any amounts drawn and matures on July 6, 2024. The Note is collateralized by all assets of QT Imaging and is guaranteed by QT Labs. The terms of the Note include non-financial covenants and, as of December 31, 2023, we were in compliance with those covenants. Through December 31, 2023, we issued warrants in connection with the note to purchase a total of 14,854 shares of common stock which 10,329 shares are exercisable at a price of $4.25 per share and 4,525 shares are exercisable at a price of $4.00 per share. The fair value of the warrants, along with financing fees, were recorded as debt issuance costs and presented in the consolidated balance sheets as a deduction from the carrying amount of the Note.

The Note is convertible, at our option, before the Note matures upon the closing of a single transaction or a series of transactions with a minimum of $15,000,000 of cash proceeds raised in the aggregate. If elected, the conversion price would be 90% of the price per share in the qualified financing. Management assessed whether the embedded features in the Note should have been bifurcated from the debt host and concluded that none of the features required to be accounted for separately from the debt instrument.

In connection with the Fourth Amendment and issuance of the senior secured convertible promissory note to US Capital as part of the Bridge Loan (the "***US Capital Note***"), the outstanding loan balances of the Note of $2,495,000 with accrued interest of $635,854 was considered extinguished. We recorded $376,086 as a loss on extinguishment in other expenses in the consolidated statements of operations and comprehensive loss, and includes a commission paid of $20,000, remaining unamortized debt issuance costs on the Note of $32,828 and the fair value of warrants to purchase 60,329 shares of common stock of $156,505.

As of December 31, 2023, the total Note and US Capital Note balance was $3,294,659 net of unamortized debt issuance costs of $36,194, and accrued interest of $50,037. As of December 31, 2022, the outstanding amount of the Note was $2,426,263, net of unamortized debt issuance costs of $68,737. Interest expense, including amortization of debt issuance costs, for the years ended December 31, 2023 and 2022 was $340,758 and $326,255, respectively.

***Bridge Loan***

In November 2023, we entered into a Bridge Loan with the Bridge Lenders in aggregate amount of $1,000,000.

Each Bridge Loan of $200,000 bears no interest but has a cash option value at the date maturity of 120% or $240,000 of the Bridge Loan at each Bridge Lender's option. Maturity date is the closing date of the Business Combination as defined in Note 1. The Bridge Loan conversion is at $2.00 per share on a post-business combination and, as of December 31, 2023, an aggregate of 1,369,255 shares of common stock would be issued if the entire Bridge Loan was converted.

As of December 31, 2023, the outstanding amount of the Bridge Loan, excluding the US Capital Note, was $774,337, net of unamortized debt issuance costs of $25,663. Interest expense from the amortization of debt issuance costs for the year ended December 31, 2023 was $21,592.

***Related Party Convertible Notes Payable***

In July 2020, we issued three convertible notes to three of its stockholders for advances up to $3,500,000 in principal (the "***2020 Notes***") and bearing annual interest of 5% on any amounts drawn. An additional note was issued in March 2022 as part of the 2020 Notes, but with an annual interest rate of 8%. All principal and interest payments are due on or before July 1, 2025. The 2020 Notes are convertible, at the holder's option, into shares of QT Imaging common stock at the lower of $5.00 per share or the offering price in a financing of at least $5,000,000 in equity from unaffiliated parties. As of December 31, 2023, an aggregate of 704,299 shares of common stock would be issued if the entire principal and interest under the 2020 Notes was converted. Management assessed whether the embedded features in the 2020 Notes should have been bifurcated from the debt host and concluded that none of the features were required to be accounted for separately from the debt instruments.

In November 2023, $200,000 of the 2020 Notes plus accrued interest of $33,644 was converted through a negotiated induced conversion to 100,000 shares of common stock, which resulted in an induced conversion expense of $168,356 to other expenses in the consolidated statements of operations and comprehensive loss. The induced conversion expense represented the fair value of the common stock issued upon conversion in excess of the common stock issuable under the original terms of the 2020 Notes. As of December 31, 2023 and 2022, the outstanding amount of the 2020 Notes was $3,143,725 and $3,343,725 and accrued interest of $377,772 and $230,627, respectively. Interest expense for the years ended December 31, 2023 and 2022 was $180,789 and $137,709, respectively.

***Related Party Working Capital Loans***

On May 3, 2023, we issued a promissory note (the "***QTI Working Capital Note***") to a shareholder for a principal amount of $250,000. The QTI Working Capital Note was subsequently amended and restated six times on June 12, 2023 to add an additional principal amount of $100,000, August 15, 2023 to add an additional principal amount of $75,000, August 29, 2023 to add an additional principal amount of $100,000, September 12, 2023 to add an additional principal amount of $75,000, September 15, 2023 to add an additional principal amount of $50,000, and October 26, 2023 to add an additional principal amount of $55,000, for an aggregate principal amount outstanding as of December 31, 2023 under the QTI Working Capital Note of $705,000. The QTI Working Capital

Note was issued to provide us with additional working capital during the period prior to consummation of the business combination agreement with GigCapital5. The QTI Working Capital Note is interest-free and matures on the earlier of (i) the date on which we consummates the business combination with GigCapital5, Inc.; (ii) the date we wind up; or (iii) December 31, 2023. Subsequent to December 31, 2023, the QTI Working Capital Note was agreed to be amended and subordinated pursuant to and in accordance with the terms of the Business Combination Agreement. Effective on the Closing of the Business Combination, the QTI Working Capital Note cannot be repaid prior to the repayment or conversion of the Pre-Paid Advance received from Yorkville.

**Cash Flows**

The following table provides information regarding our cash flows for the periods presented:

| | For Years Ended December 31, 2023 | For Years Ended December 31, 2022 |
|---|---|---|
| Net cash used in operating activities | $(2,651,143) | $(3,861,735) |
| Net cash used in investing activities | (13,040) | (22,600) |
| Net cash provided by financing activities | 2,373,793 | 2,779,729 |
| Net decrease in cash, restricted cash and cash equivalents | $ (290,390) | $(1,104,606) |

***Net Cash used in Operating Activities***

Net cash used in operating activities was $2,651,143 for the year ended December 31, 2023 as compared to $3,861,735 for the year ended December 31, 2022. The primary use of our cash was to fund research and development and general and administrative expenses. Net cash used for the year ended December 31, 2023 consisted of a net loss of $6,098,951, adjusted for non-cash expenses primarily including depreciation and amortization of $480,694, stock-based compensation of $709,394, debt extinguishment loss of $376,086, induced conversion expense of $168,356 and the amortization of debt issuance costs of $66,367, and the net change in operating assets and liabilities of $1,655,033. The net change in operating assets and liabilities was primarily due to a decrease in inventory of $98,594, an increase in accounts payable of $876,074, an increase in accrued expenses and other liabilities of $645,840, and an increase in deferred revenue of $347,619, partially offset by a decrease in other liabilities of $205,701, and an increase in prepaid expenses and other current assets of $116,103.

Net cash used for the year ended December 31, 2022 consisted of a net loss of $6,256,068, adjusted for non-cash expenses including depreciation and amortization of $651,750, stock-based compensation of $790,755, fair value of warrants issued in exchange for services of $108,100, amortization of debt issuance costs of $39,923, and non-cash operating lease expense of $4,603, and the net change in operating assets and liabilities of $799,202. The net change in operating assets and liabilities was primarily due to a decrease in inventory of $553,999, an increase in accounts payable of $338,554, an increase in accrued expenses of $178,868 and an increase in other liabilities of $424,040, partially offset primarily by a decrease in deferred revenue of $693,436.

***Net Cash used in Investing Activities***

During the year ended December 31, 2023 and 2022, net cash used in investing activities was $13,040 and $22,600, respectively, primarily due to the purchase of property and equipment.

***Net Cash provided by Financing Activities***

During the year ended December 31, 2023, net cash provided by financing activities was $2,373,793, primarily due to $1,017,850 of net proceeds from the sale of QT Imaging common stock and QT Imaging warrants, proceeds of $800,000 from the Bridge Loan and $705,000 from the Working Capital Notes, partially offset by repayments against the PPP loans of $129,057 and cash paid to a lender for debt modification of $20,000.

During the year ended December 31, 2022, net cash provided by financing activities was $2,779,729, primarily due to $915,000 of net proceeds from the sale of QT Imaging common stock and QT Imaging warrants and net proceeds received of $1,992,485 from the issuance of convertible notes payable from related parties and a third-party institution, partially offset by repayments against the PPP loans of $127,756.

**Future Funding Requirements**

We expect to incur increased significant expenses in connection with our ongoing activities, particularly as we continue the research and development of our products and product candidates, seek expanded regulatory clearances for the QT Breast Scanner, and build a U.S. sales and marketing team. As part of the effort to build the sales and marketing capabilities in the United States, QT Imaging entered into the NXC Agreement, pursuant to which QT Imaging appointed NXC as the non-exclusive agent for the sale of QT Imaging products and services in non-exclusive territories: the U.S., U.S. territories, and U.S. Department of Defense installations. Since our consummation of the Merger, we expect to incur additional costs associated with operating as a public company. Our future funding requirements, both short-and long-term, will depend on many factors, including, without limitation:

- The progress and results of our trials and interpretation of those results by the FDA (and other regulatory authorities, as required);
- Expand our current manufacturing operations;
- Seek regulatory clearances for product candidates and expanded regulatory clearance for the QT Breast Scanner;
- Establish a sales, marketing, medical affairs, and distribution infrastructure;
- The cost of operating as a public company, including hiring additional personnel as well as increased director and officer insurance premiums, audit and legal fees, investor relations fees and expenses related to compliance with public company reporting requirements under the Exchange Act and rules implemented by the SEC and Nasdaq; and
- The costs and timing of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending our intellectual property-related claims.

We plan to continue to incur substantial costs in order to conduct research and development activities necessary to develop a commercialized product. Additional capital will be needed to undertake these activities and commercialization efforts. We intend to raise such capital through the issuance of additional equity, borrowings and potential strategic alliances with other companies. If we raise additional capital through debt financing, we may be subject to covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If such financing is not available at adequate levels or on acceptable terms, we could be required to significantly reduce operating expenses and delay, reduce the scope of or eliminate some of our development programs or our commercialization efforts, out-license intellectual property rights to our product candidates and sell unsecured assets, or a combination of the foregoing, any of which may have a material adverse effect on our business, results of operations, financial condition and/or our ability to fund our scheduled obligations on a timely basis, or at all.

Because of the numerous risks and uncertainties associated with manufacturing, research, development and commercialization of products, we are unable to estimate the exact amount of our operating capital requirements. Our future funding requirements will depend on, and could increase significantly as a result of, many factors, including, without limitation:

- The timing, receipt and amount of revenues from the sales of the QT Breast Scanner and related products and services, or any future approved or cleared products and product candidates, if any;
- The cost of future activities, including product sales, medical affairs, marketing, manufacturing and distribution for the QT Breast Scanner;
- The costs, timing, and outcomes of regulatory review of applications for expanded clearances for the QT Breast Scanner and clearance for other products;
- The scope, progress, results and costs of researching, developing and manufacturing our product candidates or any future product candidates, and conducting studies and clinical trials;
- The timing of, and the costs involved in, obtaining regulatory approvals or clearances for our product candidates or any future product candidates;
- The cost of manufacturing our product candidates or any future product candidates and any products we successfully commercialize, including costs associated with building out our manufacturing capabilities;
- The cost and time needed to attract and retain skilled personnel to support our continued growth;
- Our ability to establish and maintain strategic collaborations, licensing or other arrangements and the financial terms of any such agreements that we may enter into; and
- The costs associated with being a public company.

Additionally, our operating plans may change, and we may need additional funds to meet operational needs and capital requirements for future trials and other research and development activities. Until such time, if ever, as we can generate substantial product revenue, we expect to finance our cash needs through a combination of public or private equity offerings, debt financings, collaborations, strategic partnerships or marketing, distribution or licensing arrangements with third parties. To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest may be materially diluted, and the terms of such securities could include liquidation or other preferences that adversely affect your rights as an ordinary shareholder. Debt financing and preferred equity financing, if available, may involve agreements that include restrictive covenants that limit our ability to take specified actions, such as incurring additional debt, making capital expenditures or declaring dividends. In addition, debt financing would result in increased fixed payment obligations.

If we raise funds through collaborations, strategic partnerships or marketing, distribution or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or products, or grant licenses on terms that may not be favorable to us.

If we are unable to raise additional funds when needed, we may be required to delay, reduce, or eliminate our product development or future commercialization efforts, or grant rights to develop and market products that we would otherwise prefer to develop and market ourselves.

Our ability to continue as a going concern is dependent upon our ability to successfully accomplish these plans and secure sources of financing and attain profitable operations. If we are unable to obtain adequate capital, we could be forced to cease operations. See the section of the Final Proxy Statement/Prospectus titled "*Risk Factors*" for additional factors and risks associated with our capital requirements.

**Off-Balance Sheet Arrangements**

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements.

## Contractual Obligations

We lease our operating facilities in Novato, California, under a non-cancelable operating lease through May 31, 2027. There are no options or rights to extend the term of this lease.

## Contingencies

### *Litigation*

We are subject to occasional lawsuits, investigations and claims arising out of the normal course of business. As of the date the condensed consolidated financial statements were available to be issued, management is not aware of any pending claims that will have a material impact on our consolidated financial statements.

## Emerging Growth Company

We are an emerging growth company ("***EGC***"), as defined in the JOBS Act, following the consummation of the Business Combination. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We have elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we (i) are no longer an emerging growth company, or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our consolidated financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

In addition, we intend to rely on the other exemptions and reduced reporting requirements provided by the JOBS Act. Subject to certain conditions set forth in the JOBS Act, if, as an EGC, we intend to rely on such exemptions, we are not required to, among other things: (i) provide an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act; (ii) provide all of the compensation disclosure that may be required of non-emerging growth public companies under the Dodd- Frank Wall Street Reform and Consumer Protection Act; (iii) comply with any requirement that may be adopted by the Public Company Accounting Oversight Board (United States) regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements (auditor discussion and analysis); and (iv) disclose certain executive compensation-related items such as the correlation between executive compensation and performance and comparisons of the Chief Executive Officer's compensation to median employee compensation.

We will remain an EGC under the JOBS Act until the earliest of (i) the last day of our first fiscal year following the fifth anniversary of the closing of the Business Combination, (ii) the last date of our fiscal year in which we have total annual gross revenue of at least $1.235 billion, (iii) the date on which we are deemed to be a "large accelerated filer," as defined in Rule 12b-2 promulgated under the Exchange Act, or (iv) the date on which we have issued more than $1.0 billion in non-convertible debt securities during the previous three-years.

## Critical Accounting and Estimates

The discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these consolidated financial statements requires us to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and the related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate these estimates, and assumptions, including those related to revenue, provisions for credit losses, inventories, stock-based compensation and income taxes, among others. Our estimates are derived from historical experience, current conditions and various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities as well as identifying and assessing the accounting treatment with respect to commitments and contingencies. Our actual results may materially differ from these estimates. In addition, any change in these estimates or their underlying assumptions could have a material adverse effect on our operating results.

We believe that the accounting policies discussed below are critical to the understanding of our historical and future performance, and these accounting policies involve a significant degree of judgment and complexity. For further information, see the notes to our audited consolidated financial statements attached as Exhibit 99.1 to the Amendment No. 1 to the Current Report on Form 8-K/A to which this is an exhibit.

***Revenue Recognition***

Revenue is recognized when a customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration we expect to be entitled to receive in exchange for these goods or services.

We determine revenue recognition through the following steps:

1. *Identification of the contract, or contracts, with a customer*:

We consider the terms and conditions of the contract in identifying the contracts. We determine a contract with a customer to exist when the contract is approved, each party's rights regarding the goods or services to be transferred can be identified, the payment terms for the goods or services can be identified, it has been determined the customer has the ability and intent to pay, and the contract has commercial substance. At contract inception, we evaluate whether two or more contracts should be combined and accounted for as a single contract and whether the combined or single contract includes more than one performance obligation. We apply judgment in determining the customer's ability and intent to pay, which is based on a variety of factors, including the customer's historical payment experience or, in the case of a new customer, credit and financial information pertaining to the customer.

2. *Identification of the performance obligations in the contract*:

Performance obligations promised in a contract are identified based on the goods or services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the goods or services either on its own or together with other resources that are readily available from third parties or from us, and are distinct in the context of the contract, whereby the transfer of the goods or services is separately identifiable from other promises in the contract. Our performance obligations consist of (i) product sales, (ii) maintenance contracts and (iii) other services including training.

3. *Determination of the transaction price*:

The transaction price is determined based on the consideration to which we expect to be entitled in exchange for transferring goods or services to the customer. Variable consideration is included in the transaction price if, in our judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur. Our contracts do not contain a significant financing component.

4. *Allocation of the transaction price to the performance obligations in the contract*:

If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price.

5. *Recognition of revenue when, or as a performance obligation is satisfied*:

For product sales and services, revenue is recognized at the time the related performance obligation is satisfied by transferring the control of the promised goods or services to a customer, in an amount that reflects the consideration that we expect to receive in exchange for those goods or services. Training and maintenance services are generally recognized upon invoicing in amounts that correspond directly with the value to the customer of the performance completed to date which primarily includes professional service arrangements entered on a time and materials basis.

***Inventory***

Inventory is stated at the lower of cost or net realizable value. Cost is determined using the weighted- average cost method. We periodically reviews the value of items in inventory and provides write-offs of inventory that is obsolete. Appropriate consideration is given to obsolescence, excessive levels, deterioration, and other factors in evaluating net realizable value. Once inventory has been written down below cost, it is not subsequently written up.

### *Leases*

We primarily enter into leases for office space that are classified as operating leases. We determine if an arrangement is or contains a lease at inception. We account for leases by recording right-of-use ("***ROU***") assets and lease liabilities on the consolidated balance sheets in the captions operating lease right-of-use assets, net and operating lease liabilities, respectively. The lease term includes the non-cancelable period of the lease plus any additional periods covered by an option to extend that we are reasonably certain to exercise. Our leases do not include substantial variable payments based on index or rates. Our lease agreements do not contain any significant residual value guarantees or material restrictive covenants.

Our leases do not provide a readily determinable implicit discount rate. Our incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in similar economic environments. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The lease payments related to the next 12 months are included in operating lease liabilities in current liabilities in the accompanying consolidated balance sheets. We recognize a single lease cost on a straight-line basis over the term of the lease, and we classify all cash payments within operating activities in the consolidated statements of cash flows.

### *Income Taxes*

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets be reduced by a valuation allowance if it is more-likely-than-not that some or all of the deferred tax asset will not be realized. We annually evaluate the realizability of deferred tax assets by assessing the valuation allowance and by adjusting the amount of such allowance, if necessary. The factors used to assess the likelihood of realization include our forecast of future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets.

We recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more-likely-than-not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the consolidated financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. In accordance with this accounting policy, we recognize accrued interest and penalties related to unrecognized tax benefits as a component of income tax benefit.

### *Stock-Based Compensation*

Stock-based compensation cost is measured at the grant date based on the fair market value of the award. Stock-based compensation is recognized as expense on a ratable basis over the requisite service period of the award. We value stock options using a Black-Scholes option pricing model. This model requires the use of highly subjective and complex assumptions which determine the fair value of stock-based awards, including the option's expected term, stock price volatility and risk-free interest rates. Forfeitures are recorded as they occur.

### *Recently Adopted Accounting Standards*

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, and subsequently issued several supplemental/clarifying ASUs (collectively, "ASC 326"). This ASU requires entities to estimate a lifetime expected credit loss for most financial assets, including trade and other receivables, other long-term financings including available for sale and held-to-maturity debt securities, and loans. We adopted ASC 326 on January 1, 2023. This standard did not have a material impact on our consolidated financial statements.

**Recent Accounting Pronouncements**

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which requires disclosure of incremental segment information on an annual and interim basis. This ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, and requires retrospective application to all prior periods presented in the financial statements. Early adoption is permitted. We are currently evaluating the impact of the new standard on the consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. This ASU is intended to improve the transparency of income tax disclosures by requiring (1) consistent categories and greater disaggregation of information in the rate reconciliation and (2) income taxes paid disaggregated by jurisdiction. It also includes certain other amendments to improve the effectiveness of income tax disclosures. The ASU's amendments are effective for public business entities for annual periods beginning after December 15, 2024. Entities are permitted to early adopt the standard for "annual financial statements that have not yet been issued or made available for issuance." Adoption is either prospectively or retrospectively, we will adopt this ASU on a prospective basis. We are currently evaluating the impact of the new standard on the consolidated financial statements and related disclosures.

## UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

QT Imaging Holdings, Inc. (f/k/a GigCapital5, Inc.) (the "Company") is providing the following unaudited pro forma condensed combined financial information to aid you in your analysis of the financial aspects of the business combination between GigCapital5, Inc. and QT Imaging, Inc., which was consummated on March 4, 2024. The historical financial information of QT Imaging, Inc. was derived from the audited financial statements for the year ended December 31, 2023.

The historical financial information of GigCapital5, Inc. was derived from the audited financial statements for the year ended December 31, 2023. This information should be read together with QT Imaging, Inc.'s and GigCapital5 Inc.'s financial statements and related notes.

### Description of the Transaction

On March 4, 2024, GigCapital5, Inc. and its wholly owned subsidiary, QTI Merger Sub, Inc., entered into a Business Combination Agreement with QT Imaging, Inc. Following the approval at the special meeting of the stockholders of GigCapital5, Inc. held on February 20, 2024, and pursuant to and in accordance with the terms of the Business Combination Agreement, QTI Merger Sub, Inc. merged with and into QT Imaging, Inc. with QT Imaging Holdings Inc. surviving the merger. Upon the consummation of the merger, GigCapital5, Inc. changed its name to QT Imaging Holdings, Inc.

Subject to and in accordance with the terms of the Business Combination Agreement and customary adjustments, at the effective time of the merger, each share of QT Imaging, Inc. capital stock issued and outstanding immediately prior to the effective time of the merger (including shares issued upon the exercise or conversion of QT Imaging Options, QT Imaging Warrants and QT Imaging Convertible Notes but excluding each share of QT Imaging Common Stock held in the treasury of QT Imaging which will be cancelled without any conversion of such shares of QT Imaging Common Stock held in the treasury and dissenting shares) will be automatically cancelled and converted into (A) a number of shares of GigCapital5 Common Stock equal to the Exchange Ratio of the quotient of (i) the Aggregate Closing Merger Consideration divided by (ii) the QT Imaging Fully Diluted Capital Stock and (B) the contingent right to receive a portion of additional shares of GigCapital5 Common Stock based on the performance of the Combined Company if certain requirements are achieved in accordance with the terms of the Business Combination Agreement, if, as and when payable.

### Accounting for the Transactions

The business combination is accounted for as a reverse recapitalization in accordance with U.S. GAAP. Under this method of accounting, GigCapital5, Inc. will be treated as the "acquired" company for financial reporting purposes. This determination was primarily based on QT Imaging, Inc.'s operations comprising substantially all of the ongoing operations of the post-combination company, QT Imaging, Inc.'s senior management comprising substantially all of the senior management of the post-combination company and the existence of a majority voting interest in the post-combination company. Accordingly, for accounting purposes, the business combination is treated as the equivalent of QT Imaging, Inc. issuing stock for the net assets of GigCapital5, Inc., accompanied by a recapitalization. The net assets of GigCapital5, Inc. is stated at historical cost, with no goodwill or other intangible assets recorded. Operations prior to the business combination are the historical operations of QT Imaging, Inc.

### Basis of Pro Forma Presentation

The historical financial information has been adjusted to give pro forma effect to events that are related and/or directly attributable to the business combination, are factually supportable and, with respect to the pro forma statements of operations, are expected to have a continuing impact on the results of the post-combination company. The unaudited pro forma condensed combined financial information is for illustrative purposes only. The financial results may have been different had the companies always been combined. You should not rely on the unaudited pro forma condensed combined financial information as being indicative of the historical results that would have been achieved had the companies always been combined or the future results that the post-combination company will experience. QT Imaging, Inc. and GigCapital5, Inc. have not had any historical relationship prior to the business combination. Accordingly, no pro forma adjustments were required to eliminate activities between the companies.

**PRO FORMA COMBINED BALANCE SHEET AS OF DECEMBER 31, 2023**
**(unaudited)**

| | QT Imaging, Inc. | GigCapital5, Inc. | Pro Forma Adjustments | | Pro Forma Balance Sheet |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current Assets** | | | | | |
| Cash and cash equivalents | $ 164,686 | $ 2,438 | $ 13,952,525 | (A5) | $ 6,173,543 |
| | | | 230,887 | (A2) | |
| | | | 500,000 | (B4) | |
| | | | (11,511,550) | (B5) | |
| | | | 1,500,000 | (B6) | |
| | | | 9,005,000 | (B2) | |
| | | | (556,360) | (D1) | |
| | | | (297,247) | (D2) | |
| | | | (107,032) | (E) | |
| | | | (1,275,250) | (F) | |
| | | | (2,673,667) | (I3) | |
| | | | (1,800,887) | (I4) | |
| | | | (960,000) | (J4) | |
| Restricted cash | 20,000 | | | | 20,000 |
| Accounts receivable | 1,290 | | | | 1,290 |
| Inventory | 4,418,197 | | | | 4,418,197 |
| Prepaid expenses and other current assets | 214,979 | 94,008 | 987,013 | (I4) | 1,296,000 |
| **Total current assets** | 4,819,152 | 96,446 | 6,993,432 | | 11,909,030 |
| Cash and marketable securities held in Trust Account | | 23,302,116 | (9,356,221) | (Al) | — |
| | | | 159,586 | (A3) | |
| | | | (152,956) | (A4) | |
| | | | (13,952,525) | (A5) | |
| Property and equipment, net | 490,920 | | | | 490,920 |
| Intangible assets, net | 90,139 | | | | 90,139 |
| Operating lease right-of-use assets, net | 1,267,121 | | | | 1,267,121 |
| Other assets | 39,150 | | | | 39,150 |
| **Total assets** | $6,706,482 | $23,398,562 | $(16,308,684) | | $13,796,360 |

**PRO FORMA COMBINED BALANCE SHEET AS OF DECEMBER 31, 2023 (CONTINUED)**
**(unaudited)**

| | QT Imaging, Inc. | GigCapital5, Inc. | Pro Forma Adjustments | | Pro Forma Balance Sheet |
|---|---|---|---|---|---|
| **LIABILITIES AND EQUITY** | | | | | |
| **Current liabilities** | | | | | |
| Accounts payable | $ 1,355,512 | $ 767,615 | $ (675,472) | (I3) | $ 758,781 |
| | | | (688,874) | (I4) | |
| Accrued legal fees | | 3,500,000 | (1,600,000) | (I3) | 1,900,000 |
| Accrued liabilities | 369,651 | 893,830 | 926,803 | (I1) | 1,074,427 |
| | | | 1,304,473 | (I2) | |
| | | | (1,350,000) | (I3) | |
| | | | (1,042,800) | (I4) | |
| | | | (27,530) | (J1) | |
| Payable to related party | | 1,610,875 | (1,275,250) | (F) | 335,625 |
| Notes payable to related party | 705,000 | 1,564,673 | 230,887 | (A2) | 2,203,313 |
| | | | (297,247) | (D2) | |
| Notes payable to related party at fair value | | 1,506,389 | (1,506,389) | (DI) | — |
| Notes payable | | | 3,338,824 | (B2) | 4,192,491 |
| | | | 1,053,667 | (B6) | |
| | | | (200,000) | (J5) | |
| Derivative liability | | | 3,643,000 | (B2) | 3,643,000 |
| Other current liabilities | | 79,162 | (79,162) | (A4) | — |
| Deferred underwriting fee payable | | 2,760,000 | (2,760,000) | (I3) | — |
| Current maturities of long-term debt | 4,199,362 | | (3,130,854) | (J1) | 268,508 |
| | | | (800,000) | (J4) | |
| Deferred revenue | 347,619 | | | | 347,619 |
| Operating lease liabilities | 361,305 | | | | 361,305 |
| **Total current liabilities** | 7,338,449 | 12,682,544 | (4,935,924) | | 15,085,069 |
| Long-term debt | 95,982 | | | | 95,982 |
| Note payable to related party | 3,143,725 | | | | 3,143,725 |
| Warrant liability | | 7,950 | | | 7,950 |
| Earnout liability | | | 15,900,000 | (J3) | 15,900,000 |
| Operating lease liabilities | 1,062,633 | | | | 1,062,633 |
| Other liabilities | 377,772 | | | | 377,772 |
| **Total liabilities** | 12,018,561 | 12,690,494 | 10,964,076 | | 35,673,131 |
| Common stock subject to possible redemption | | 23,222,954 | (9,356,221) | (Al) | — |
| | | | 159,586 | (A3) | |
| | | | (14,026,319) | (C) | |

**PRO FORMA COMBINED BALANCE SHEET AS OF DECEMBER 31, 2023 (CONTINUED)**
**(unaudited)**

| | QT Imaging, Inc. | GigCapital5, Inc. | Pro Forma Adjustments | | Pro Forma Balance Sheet |
|---|---|---|---|---|---|
| **Stockholders' Deficit** | | | | | |
| Common Stock, $0.0001 par value | | 655 | 20 | (B4) | 2,144 |
| | | | 100 | (B2) | |
| | | | 43 | (B3) | |
| | | | 18 | (B6) | |
| | | | 126 | (C) | |
| | | | 9 | (D1) | |
| | | | 1 | (B1) | |
| | | | 122 | (I3) | |
| | | | 26 | (I4) | |
| | | | 36 | (J1) | |
| | | | 978 | (J2) | |
| | | | 10 | (J5) | |
| Common Stock $0.001 par value | 27,941 | | (27,941) | (H) | — |
| Additional paid-in capital | 12,430,125 | 4,589,179 | (159,586) | (A3) | 10,471,240 |
| | | | (1) | (Bl) | |
| | | | 499,980 | (B4) | |
| | | | 2,043,076 | (B2) | |
| | | | 1,508,940 | (B3) | |
| | | | 446,315 | (B6) | |
| | | | 14,026,193 | (C) | |
| | | | 943,631 | (D1) | |
| | | | (18,094,569) | (G) | |
| | | | 27,941 | (H) | |
| | | | 3,759,878 | (I3) | |
| | | | 917,774 | (I4) | |
| | | | 3,233,352 | (J1) | |
| | | | (978) | (J2) | |
| | | | (15,900,000) | (J3) | |
| | | | 199,990 | (J5) | |
| Accumulated deficit | (17,770,145) | (17,104,720) | 18,094,569 | (G) | (32,350,155) |
| | | | 159,586 | (A3) | |
| | | | (73,794) | (A4) | |
| | | | (20,000) | (B2) | |
| | | | (1,508,983) | (B3) | |
| | | | (11,511,550) | (B5) | |
| | | | 6,389 | (D1) | |
| | | | (107,032) | (E) | |
| | | | (926,803) | (I1) | |
| | | | (1,304,473) | (I2) | |
| | | | (48,195) | (I3) | |
| | | | (75,004) | (J1) | |
| | | | (160,000) | (J4) | |
| **Total stockholders' deficit** | (5,312,079) | (12,514,886) | (4,049,806) | | (21,876,771) |
| **TOTAL LIABILITIES, REDEEMABLE COMMON STOCK AND STOCKHOLDERS' DEFICIT** | $ 6,706,482 | $ 23,398,562 | $(16,308,684) | | $ 13,796,360 |

**Pro Forma Adjustments to the Unaudited Combined Balance Sheet**

(A1) To reflect the March 2024 redemption of 848,003 shares of GigCapital5 common stock as if it had occurred as of December 31, 2023.

(A2) Reflects the additional proceeds received prior to the Closing of $230,887 under a promissory note with a related party of GigCaptial5 as if it had occurred as of December 31, 2023.

(A3) Reflects interest income of $159,586 earned by the trust account prior to the Closing as if it had occurred as of December 31, 2023.

(A4) Reflects amounts withdrawn from the trust account to pay taxes as if it had occurred as of December 31, 2023.

(A5) To reflect the release of $13,952,525 held in the Trust Account after giving effect to the March 2024 redemptions, including Q1 2024 interest received by and taxes withdrawn from the Trust Account as if it occurred as of December 31, 2023. All amounts held in the Trust Account were released upon the consummation of the Business Combination as if it occurred as of December 31, 2023.

(B1) To reflect cashless exercise of In-the-Money Company Warrants into 16,320 shares of QT Imaging Common Stock prior to the Closing as if the Closing had occurred on December 31, 2023. Upon consummation of the Business Combination, the shares of QT Imaging Common Stock were converted into 5,594 shares of Combined Company Common Stock. The terms of the In-the-Money Company Warrants have not been modified.

(B2) To reflect the net proceeds under the SEPA for a total of $10,000,000 issued in the form of a pre-paid advance from Yorkville and evidenced by a convertible promissory note. As consideration for the pre-paid advance and prior to the Business Combination, Yorkville received consideration that a holder of shares of QT Imaging Common Stock was entitled to receive pursuant to the Business Combination Agreement, including 1,000,000 shares of GigCapital5 Common Stock. The capitalized terms in this footnote are as defined in the SEPA.

The $10,000,000 promissory note was issued on March 4, 2024 pursuant to Section 2.01 of the SEPA, dated November 15, 2023, between the Company and the Holder. The note contained the following derivative features ("Derivatives") that were recognized at fair value:

- Monthly Payment Premium - If, any time after the Issuance Date, and from time to time thereafter, a Trigger Event occurs, then the Company shall make monthly payments of Triggered Principal Amount, Payment Premium and accrued and unpaid interest.
- Monthly Payment Discount -If, any time after the Issuance Date, and from time to time thereafter, a Trigger Event occurs, then the Company shall make monthly payments of Triggered Principal Amount minus the lesser of (x) $1,500,000 and (y) such amount of fifty percent (50%) of the Investor's net sales proceeds of the Company Shares or fifty percent (50%) of the value of the Company Shares on such date the cash payment is due.
- Variable Price Conversion Right -Subject to certain limitations, at any time or times on or after the Issuance Date, the Holder shall be entitled to convert any portion of the outstanding and unpaid Conversion Amount into fully paid and nonassessable Common Stock in accordance with Section (3)(b), at the Conversion Price of 95% of the lowest VWAP of the Company's Common Stock during the 5 consecutive Trading Days immediately preceding the Conversion Date or the date the Holder submits an Investor Notice pursuant to and as defined in the SEPA, as applicable, or other date of determination, but not lower than the Floor Price.
- Failure to Timely Convert - If within three (3) Trading Days after the Company's receipt of an email copy of a Conversion Notice the Company shall fail to issue and deliver a certificate to the Holder or credit the Holder's balance account with DTC for the number of shares of Common Stock to which the Holder is entitled upon such holder's conversion of any Conversion Amount (a "Conversion Failure"), and if on or after such Trading Day the Holder purchases (in an open market transaction or otherwise) Common Stock to deliver in satisfaction of a sale by the Holder of Common Stock issuable upon such conversion that the Holder anticipated receiving from the Company (a "Buy-In"), then the Company shall, within three (3) Business Days after the Holder's request and in the Holder's discretion, either (i) pay cash to the Holder in an amount equal to the Holder's total purchase price (including brokerage commissions and other out of pocket expenses, if any) for the Common Stock so purchased (the "Buy-In Price"), or (ii) promptly honor its obligation to deliver to the Holder a certificate or certificates representing such Common Stock and pay cash to the Holder in an amount equal to the excess (if any) of the Buy-In Price over the product of (A) such number of shares of Common Stock, times (B) the Closing Price on the Conversion Date.
- Corporate Events -In addition to and not in substitution for any other rights hereunder, prior to the consummation of any Fundamental Transaction pursuant to which holders of Common Stock are entitled to receive securities or other assets with respect to or in exchange for shares of Common Stock (a "Corporate Event"), the Company shall make appropriate provision to ensure that the Holder will thereafter have the right to receive upon a conversion of this Note, at the Holder's option, (i) in addition to

the Common Stock receivable upon such conversion, such securities or other assets to which the Holder would have been entitled with respect to such Common Stock had such Common Stock been held by the Holder upon the consummation of such Corporate Event (without taking into account any limitations or restrictions on the convertibility of this Note) or (ii) in lieu of the Common Stock otherwise receivable upon such conversion, such securities or other assets received by the holders of Common Stock in connection with the consummation of such Corporate Event in such amounts as the Holder would have been entitled to receive had this Note initially been issued with conversion rights for the form of such consideration (as opposed to Common Stock) at a conversion rate for such consideration commensurate with the Conversion Price. Provision made pursuant to the preceding sentence shall be in a form and substance satisfactory to the Required Holders.

The fair value of the above Derivatives was calculated using a Monte Carlo simulation, performed by an independent valuation firm. The simulation used as significant inputs the volatility of QT Imaging equity that was derived based on a comparable peer group of publicly traded companies and the company's stock price on the valuation date based on the $3.53 per share market price at the Closing date.

The key inputs into the valuation model included a volatility of 80%, risk-free rate of 5% and a fair value of the common stock at $3.53 per share.

The total value of the Derivatives reflected the combined value of the monthly payment premium, reduction to that premium by the payment discount, and the value of the conversion right. The values of the failure to timely convert and corporate event features were deemed to be de minimus.

In accordance with ASC 470-20, the proceeds of $10,000,000 will be recorded between the promissory note and Common Stock less debt origination costs of $975,000, consisting of a $375,000 commitment fee for the SEPA and original issue discount of 6% for the Pre-Paid Advance, on a relative fair value basis. A structuring fee of $20,000 will be expensed.

(B3) To reflect the issuance of the number of shares of QT Imaging Common Stock, as consideration for the September and December 2023 Non-Redemption Agreements ("NRA") Stockholders agreeing not to redeem or to reverse any redemption demands previously submitted in connection with the respective extensions, that will convert into an aggregate of 427,477 of the Combined Company at a fair value of $3.53 per share after the Closing. The shares will be fully vested, nonforfeitable equity instruments upon issuance to the December 2023 NRA Stockholders and in connection with the September and December 2023 NRA that included no further obligation (of the September and December 2023 NRA Stockholders) after entering into the NRA. QT Imaging will recognize the issuance of the QT Imaging Common Stock as general & administrative expense in accordance with ASC 718-10.

(B4) To reflect the proceeds of $500,000 received under the Stock Subscription Agreements. Stock Subscription Agreements of $500,000 converted into an aggregate of 200,000 shares of the Combined Company after the Closing (i.e., at an implied conversion rate of $2.50 per share of Combined Company Common Stock).

(B5) To reflect the payment of the required non-redemption payments as defined in the November 2023 Non-Redemption Agreements for an aggregate of 1,200,000 shares not redeemed times the redemption price less $2.50 per share plus 50,000 structuring shares at the redemption price. QT Imaging will recognize the payment as general & administrative expense in accordance with ASC 718-10.

(B6) To reflect the issuance of Cable Car Promissory Note in the amount of $1,500,000 and the issuance of 180,000 shares of Combined Company in lieu of any simple or in-kind interest on the Closing. In accordance with ASC 470-20, the proceeds of $1,500,000 will be recorded between the promissory note and Common Stock on a relative fair value basis.

(C) To reflect the redemption of 848,003 shares by Public Stockholders of GigCapital5 at the Closing, 1,250,000 shares not redeemed and payments made under the November 2023 Non-Redemption Agreements. To reflect the transfer of the remaining 1,264,590 shares of the Common Stock to permanent equity ($14,026,319). See Note (B5) for payments made under the November 2023 Non-Redemption Agreements.

(D1) To reflect the payment of $556,360 of the $1,500,000 Working Capital Notes and conversion of the remaining $943,640 of the Working Capital Notes into 94,364 shares of the Combined Company Common Stock at the Closing.

(D2) To reflect the payment of the non-convertible Working Capital Notes ($297,247) at the Closing.

(E) To reflect the payment of certain expenses at the Closing as if the Closing, as if the Closing had occurred as of December 31, 2023.

(F) To reflect the payment of amounts due at the Closing to related parties and insiders of GigCapital5, as if the Closing had occurred as of December 31, 2023.

(G) To reflect the elimination of the historical accumulated deficit of GigCapital5, the accounting acquiree.

(H) Eliminates the historical par value of QT Imaging. The par value of the Combined Company Common Stock will be $0.0001 per share.

(I1) Reflects the recording of the estimated GigCapital5 Transaction Expenses and other closing costs not reflected in the historical statements. The accrual of $926,803 reflects total GigCapital5 Transaction Expenses and other closing costs of $8,512,490 less amounts already paid of $509,445 and amounts recorded in accounts payable of $216,242, accrued legal fees of $3,500,000, accrued advisory fees of $600,000 and deferred underwriting fees $2,760,000.

(I2) Reflects the recording of the estimated Company Transaction Expenses not reflected in the historical statements. The accrual of $1,304,473 reflects total estimated Company Transaction Expenses of $3,563,086 less $461,782 already paid and amounts already recorded in accounts payable of $785,089 and accrued liabilities of $24,729, and $987,013 of transaction costs related to D&O insurance that were prepaid on the date of the Closing.

(I3) Reflects the payment of Unpaid GigCapital5 Transaction Expenses and other closing Costs of $2,673,667 in cash at the Closing with the remaining $3,760,000 paid in Common Stock.

(I4) Reflects the payment of Unpaid Company Transaction Expenses and other closing costs of $1,800,887 in cash at the Closing with the remaining $917,800 was paid in Common Stock.

(J1) Reflects the conversion of certain QT Imaging Convertible Notes, including accrued interest payable, into 1,048,330 shares of QT Imaging Common Stock immediately prior to the Business Combination in accordance with the terms of such QT Imaging Convertible Notes with no gain or loss recorded upon conversion. At the Closing, the shares of QT Imaging Common Stock issued from the conversion of the QT Imaging Convertible Notes will be exchanged for 359,265 shares of the Combined Company Common Stock.

(J2) Reflects the remaining par value adjustment of shares of GigCapital5 Capital Stock issued to the holders of the QT Imaging Equity Securities.

(J3) Reflects the fair value of the Merger Consideration Earnout Shares pertaining to the holders of the QT Imaging Equity Securities at the Closing, as if the Closing had occurred as of December 31, 2023.

The Merger Consideration Earnout Shares will be released and delivered upon the occurrence of Triggering Events. In September 2023, the BCA was amended to move certain measurement dates for revenue from December 31, of each year to the following September 30 of the following year. In addition, the revenue trigger for the third measurement year was reduced from $67 million to $30 million, which, all else being equal, had the effect of increasing the estimated value of the Merger Consideration Earnout Shares. The period of measurement for the revenue targets, as defined in the BCA, as amended, are for the 15 months ended September 30, 2024, and for each of the 12 months ended September 30, 2025, and 2026. In addition, management's estimated probabilities of meeting the triggering events were lowered, from 25 percent, 75 percent and 90 percent, to 15 percent, 50 percent and 75 percent, which, all else being equal, had the effect of decreasing the estimated value of the Merger Consideration Earnout Shares.

The fair value of the Merger Consideration Earnout shares was calculated using a Monte Carlo simulation. The simulation used as significant inputs QT Imaging management's current assessment of placements of breast scanning systems in 2024 and 2025, likely expected values for revenues from 2024 through 2026, probabilities for regulatory approvals including FDA clearances, and probabilities of other Triggering Events related to the open angle scanner. The probabilities of the non-revenue triggers generally range from 50 to 75 percent with the exception of the FDA clearance for a new indication November 14, 2025, as defined in the BCA, which is at 15 percent. The revenue forecast for the respective measurement periods are generally in line with the revenue triggers as defined in the BCA as amended. Additional significant inputs into the simulation include the volatility of QT Imaging equity, assets, and revenue that was derived in a manner as would be common for such simulation, and published industry operating profitability metrics. A weighted average cost of capital ("WACC") was estimated based on a venture capital rates of return on debt and equity. This WACC was used as the discount rate applicable to revenue, after applying a delivering factor to convert it from being applicable to earnings before interest and tax ("EBIT") to being applicable to revenue. This EBIT to revenue delivering factor was estimated using published industry operating profit and cost metrics.

The Monte Carlo simulation developed a distribution of projected revenues for 2024 through 2026 using a Geometric Brownian Motion framework based on a standard normal distribution of returns. The simulation also developed a distribution of potential daily Combined Company Common Stock prices for 2026 using a Geometric Brownian Motion framework, and the current traded market price of GigCapital5 Common Stock as the initial input. The resulting fair value is based on the average of the number of shares that will be paid out for each Triggering Event over a statistically significant number of simulations.

The significant assumptions included: An expected volatility of revenue of 21.0%; a discount rate applicable to revenue of 10.2%; a risk-free rate (revenue and equity model) of 4.5%; a risk premium of 5.7%; cost of debt of 22.0%; credit risk spread of 17.5%; and an equity volatility of 80.0%."

(J4) Reflects the payment of four of the Senior Secured Convertible Notes issued by QT Imaging at 120 percent of the principal balance of $800,000 at the Closing as if the Closing occurred as of December 31, 2023.

(J5) Reflects the conversion of certain Senior Secured Convertible Notes issued by QT Imaging immediately prior to the Closing of the Business Combination into such number of validly issued, fully paid and non-assessable shares of QT Imaging Common Stock that upon the completion of the Business Combination and the application of the Exchange Ratio was exchanged for such consideration as was provided for in the Business Combination Agreement, including that number of shares of Combined Company Common Stock as was equal in the aggregate to 100,000 shares of Combined Company Common Stock. Upon conversion of aforementioned Senior Secured Convertible Notes, the unamortized associated deemed debt discount was fully expensed.

**PRO FORMA CONDENSED COMBINED STATEMENTS OF OPERATIONS**
**FOR THE YEAR ENDED DECEMBER 31, 2023**
**(unaudited)**

| | QT Imaging, Inc. (Historical) | GigCapital5, Inc. (Historical) | Pro Forma Adjustments | | Pro Forma Statement of Operations |
|---|---|---|---|---|---|
| Revenue | $ 40,355 | $ — | $ — | | $ 40,355 |
| Cost of revenue | 134,988 | — | — | | 134,988 |
| Gross profit | (94,633) | — | — | | (94,633) |
| **Operating Expenses:** | | | | | |
| Research and development | 1,485,636 | — | (105,255) | (P) | 1,380,381 |
| Selling, general, and administrative | 3,427,690 | 4,927,599 | (604,139) | (P) | 23,989,972 |
| | | | 11,511,550 | (T) | |
| | | | 1,508,983 | (U) | |
| | | | 3,218,289 | (R) | |
| **Total operating expenses** | 4,913,326 | 4,927,599 | (15,529,428) | | 25,370,353 |
| **Loss from operations** | (5,007,959) | (4,927,599) | (15,529,428) | | (25,464,986) |
| Interest expense | (544,826) | (219,686) | 367,704 | (Q) | (6,092,504) |
| | | | (5,258,554) | (Q1) | |
| | | | (437,142) | (Q4) | |
| Interest income on marketable securities held in Trust Account | — | 1,526,860 | (1,526,860) | (O) | — |
| Other income (expense) | (544,566) | 14,953 | 8,897 | (Q2) | 43,726 |
| | | | 20,000 | (S) | |
| | | | 544,442 | (Q3) | |
| **Loss before income tax expense** | (6,097,351) | (3,605,472) | (21,810,941) | | (31,513,764) |
| Income tax expense | 1,600 | 419,119 | (419,119) | (O) | 1,600 |
| **Net loss** | $ (6,098,951) | $ (4,024,591) | $(21,391,822) | | $(31,515,364) |

**Pro Forma Adjustments to the Unaudited Combined Statement of Operations**

(O) Represents the elimination of interest income related to the investments in the GigCapital5 Trust Account as of the beginning of the period and the corresponding income tax expense.

(P) Reflects the reversal of stock-based compensation on QT Imaging Options and warrant expense, for other than In-The-Money Company Warrants, both of which are assumed to be cancelled as January 1, 2023.

(Q) Reflects the reversal of interest expense and amortization of the debt discount on QT Imaging Convertible Notes and Bridge Loans converted to QT Imaging Common Stock or repaid as of the beginning of the year as if the Business Combination was considered effective on January 1, 2023.

(Q1) Reflects $598,356 of accrued interest expense and $4,660,198 amortization of debt issuance costs of the Convertible Promissory Note issued to Yorkville over the 15-month period of the note entered into as if the Business Combination was considered effective on January 1, 2023.

(Q2) Reflects the reversal of the fair value adjustment on GigCapital5 Working Capital Notes as the notes are considered paid or converted as if the Business Combination was considered effective on January 1, 2023.

(Q3) Reflects the reversal of debt extinguishment loss for QT Imaging Convertible Notes and Related Party Notes that were amended in accordance with the terms of the Business Combination Agreement as if the Business Combination was considered effective on January 1, 2023.

(Q4) Reflects $437,142 of amortization of debt issuance costs of the Cable Car Promissory Note over a 13-month period and entered into as if the Business Combination was considered effective on January 1, 2023.

(R) Reflects the additional Unpaid GigCapital5 Transaction Expenses of $926,803 consisting of accrued legal fees and other accrued liabilities as reflected on the Pro Forma Combined Balance Sheet as of December 31, 2023, and Company Transaction Expenses of $2,291,486 consisting of accrued legal fees and other accrued liabilities as reflected on the Pro Forma Combined Balance Sheet as of December 31, 2023 not included in the historical numbers.

(S) Reflects $20,000 of structuring fee paid to Yorkville in accordance with the terms of the SEPA as if the Business Combination is considered effective on January 1, 2023.

(T) Reflects $11,511,550 of expense recognized for non-redemption payments as defined in the November 2023 Non-Redemption Agreements for an aggregate of 1,200,000 shares not redeemed times the redemption price less $2.50 per share plus 50,000 structuring shares at the redemption price as if the Business Combination is considered effective on January 1, 2023.

(U) Reflects $1,508,983 of expense for the issuance of the number of shares of QT Imaging Common Stock, as consideration for the September and December 2023 Non-Redemption Agreements ("NRA") Stockholders agreeing not to redeem or to reverse any redemption demands previously submitted in connection with the respective extensions as if the Business Combination is considered effective on January 1, 2023.

| | QT Imaging, Inc. (Historical) | GigCapital5, Inc. (Historical) | Pro Forma Adjustments | Pro Forma Statement of Operations |
|---|---|---|---|---|
| Net loss | $ (6,098,951) | $ (4,024,591) | $(21,391,822) | $(31,515,364) |
| Weighted average Combined Company Common Stock shares outstanding - basic and diluted | — | — | — | 21,437,216 |
| Net loss per Combined Company Common Stock share - basic and diluted | — | — | — | $ (1.47) |
| Weighted average QT Imaging Common Stock shares outstanding - basic and diluted | 27,815,913 | — | — | — |
| Net loss per QT Imaging Common Stock share - basic and diluted | $ (0.22) | — | — | — |
| Net income attributable to GigCapital5 Common Stock subject to possible redemption | — | $ 1,107,741 | — | — |
| Weighted average GigCapital5 Common Stock subject to possible redemption shares outstanding - basic and diluted | — | 3,020,634 | — | — |
| Net income per share - GigCapital5 Common Stock subject to possible redemption - basic and diluted | — | $ 0.37 | — | — |
| Net loss attributable to non-redeemable GigCapital5 common stockholders | — | $ (5,132,332) | — | — |
| Weighted average non-redeemable GigCapital5 Common Stock shares outstanding - basic and diluted | — | 6,540,000 | — | — |
| Net loss per share - non-redeemable GigCapital5 Common Stock - basic and diluted | — | $ (0.78) | — | — |

**PRO FORMA CHANGE IN EQUITY ACCOUNTS**
**(unaudited)**

| | Shares | % |
|---|---|---|
| GigCapital5 Public Stockholders pre redemption | 2,114,978 | 9.9% |
| Less: December 2023 partial redemption | (2,385) | 0.0% |
| Less: March 2024 partial redemption | (848,003) | (4.0%) |
| Total held by Public Stockholders (1)(2) | 1,264,590 | 5.9% |
| Sponsor and insiders (3) | 6,540,000 | 30.5% |
| Shares issued in conversion of GigCapital5 Working Capital Notes (4) | 94,364 | 0.4% |
| Conversion of QT Imaging Converting Notes (5) | 393,535 | 1.8% |
| Former holders of QT Imaging Common Stock in December 2022 excluding the Bridge Financing (6) | 9,373,733 | 43.7% |
| Shares from QT Imaging Bridge Financing (6) | 167,923 | 0.8% |
| Shares from cashless exercise of QT Imaging In-the-Money Company Warrants (7) | 5,594 | 0.0% |
| Conversion of QT Imaging Bridge Loan convertible notes (8) | 100,000 | 0.5% |
| Shares from the Stock Subscription Agreements (9) | 200,000 | 0.9% |
| Shares as consideration for the Yorkville Pre-Paid Advance (10) | 1,000,000 | 4.7% |
| Shares from the conversion of underwriter fees (11) | 740,000 | 3.5% |
| Shares from the conversion of extension advisor fees (12) | 100,000 | 0.5% |
| Shares from extension non-redemption agreements (13) | 427,477 | 2.0% |
| Early Investor Consideration Shares (14) | 150,000 | 0.7% |
| Shares issued in payment to QT Imaging financial advisor (15) | 250,000 | 1.2% |
| Shares issued in conjunction with the Cable Car Promissory Note (16) | 180,000 | 0.8% |
| Shares issued in payment of Transaction Expenses (17) | 450,000 | 2.1% |
| Pro Forma Combined Company Common Stock outstanding at Closing (18) | 21,437,216 | 100.0% |

(1) Amount is after giving effect to the redemption of 18,985,950 Public Shares in the September 2022 Partial Redemption, 995,049 Public Shares in the March 2023 Partial Redemption, 904,023 Public Shares in the September 2023 Partial Redemption, 2,385 Public Shares in the December 2023 Partial Redemption and 848,003 Public Shares in the March 2024 Partial Redemption. Of the 1,264,590 shares of GigCapital5 Common Stock held by Public Stockholders, 1,250,000 shares are not redeemable under the November 2023 Non-Redemption Agreements, resulting in only 14,590 shares of GigCapital5 Common Stock not covered under non-redemption agreements.

(2) Amount excludes 23,000,000 outstanding Warrants and 795,000 private warrants which are a part of the Private Placement Units.

(3) The Sponsor holds 5,735,000 Founder Shares, and an additional 795,000 shares of GigCapital5 Common Stock that are a constituent security of the Private Placement Units. There are 10,000 shares of GigCapital5 Common Stock in the aggregate held an affiliate of ICR.

(4) The Sponsor holds a total of $1,500,000 of GigCapital5 Working Capital Notes that are convertible, at the Sponsor's election, at a price of $10.00 per unit, into units identical to the Private Placement Units issued in connection with GigCapital5's initial public offering. The Sponsor converted at the Closing $943,640 of the $1,500,000 principal balance into 94,364 units, which were then separated into 94,364 shares of Combined Company Common Stock and 94,364 private warrants. The 94,364 private warrants are excluded from the table.

(5) Conversion into shares of the Combined Company Common Stock of shares of QT Imaging Common Stock related to QT Imaging Converting Notes to be converted into 1,148,330 shares of QT Imaging Common Stock immediately prior to the Merger. At the Closing, the shares of QT Imaging Common Stock issued from the conversion of the QT Imaging Converting Notes will be exchanged for 393,535 shares of the Combined Company Common Stock.

(6) As of December 2023, the former holders of QT Imaging Common Stock included the holders of 27,941,290 shares of QT Imaging Common Stock, which will be exchanged for 9,373,733 shares of Combined Company Common Stock at the Closing, and participants in the Bridge Financing, who acquired 490,000 shares of QT Imaging Common Stock, which will be exchanged for 167,923 shares of Combined Company Common Stock at the Closing.

(7) Amount assumes all In-the-Money Company Warrants for the purchase of 60,329 shares of QT Imaging Common Stock will net settle for 16,320 shares of QT Imaging Common Stock immediately prior to the Merger and convert into 5,594 shares of the Combined Company.

(8) Conversion into shares of the Combined Company Common Stock of shares of QT Imaging Common Stock related to $200,000 in convertible notes issued in the November 2023 $1 million Bridge Loan to be converted into 291,798 shares of QT Imaging Common Stock immediately prior to the Merger. At the Closing, the shares of QT Imaging Common Stock issued from the conversion of the convertible notes issued in the Bridge Loan will be exchanged for 100,000 shares of the Combined Company Common Stock.

(9) Only one subscriber to the Stock Subscription Agreements purchased shares of QT Imaging for $500,000 pursuant to the terms of the Stock Subscription Agreements and the remaining three subscribers held an aggregate of 1,250,000 shares of GigCapital5 Common Stock under the November 2023 Non-Redemption Agreements. At the Closing, the shares of QT Imaging Common Stock will be exchanged for 200,000 shares of the Combined Company Common Stock.

(10) The consideration to Yorkville for the Pre-Paid Advance consists of shares of QT Imaging Common Stock equal to that number of shares that will result in Yorkville as a stockholder of QT Imaging receiving pursuant to the Business Combination Agreement 1,000,000 shares of Combined Company Common Stock.

(11) As partial consideration for the deferred underwriter fees, William Blair has agreed to receive shares of QT Imaging Common Stock equal to that number of shares that will result in William Blair as a stockholder of QT Imaging receiving pursuant to the Business Combination Agreement 740,000 shares of Combined Company Common Stock.

(12) As consideration for advisory fees in connection with an extension, an advisor has agreed to receive shares of QT Imaging Common Stock equal to that number of shares that will result in such advisor as a stockholder of QT Imaging receiving pursuant to the Business Combination Agreement 100,000 shares of Combined Company Common Stock.

(13) As consideration for the September 2023 Non-Redemption Agreements and the December 2023 Non-Redemption Agreements, the parties to such agreements have agreed to receive shares of QT Imaging Common Stock equal to that number of shares that will result in such parties as stockholders of QT Imaging receiving pursuant to the Business Combination Agreement at least 427,477 shares of Combined Company Common Stock.

(14) Shares of QT Imaging Common Stock to be issued to subscribers to the Stock Subscription Agreements entered into in November 2023 equal to that number of shares that will result in such parties as stockholders of QT Imaging receiving pursuant to the Business Combination Agreement 150,000 shares of Combined Company Common Stock.

(15) As partial consideration for advisory fees, a financial advisor to QT Imaging has agreed to receive shares of QT Imaging Common Stock equal to that number of shares that will result in such financial advisor as a stockholder of QT Imaging receiving pursuant to the Business Combination Agreement 250,000 shares of Combined Company Common Stock.

(16) The issuance on the Closing of 180,000 shares of Combined Company in lieu of any simple or in-kind interest in conjunction with the issuance of Cable Car Promissory Note in the amount of $1,500,000. In accordance with ASC 470-20, the proceeds of $1,500,000 will be recorded between the promissory note and Common Stock on a relative fair value basis.

(17) In consideration for the settlement of certain liabilities for various services rendered, the parties to the agreements have agreed to accept an aggregate of 450,000 shares of the Combined Company in lieu of cash payments.

(18) After consummation of the proposed Business Combination, the former holders of QT Imaging Equity Securities will have the contingent rights to receive 9,000,000 Merger Consideration Earnout Shares. The contingently issuable Merger Consideration Earnout Shares are excluded from the expected shares issued to the former holders of QT Imaging Equity Securities above as they will not be issued at the Closing due to the contingencies associated with the earnout.