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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **June 30, 2025**

OR

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

For the transition period from _____ to _____
Commission file number **001-40839**

QT Imaging Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

**3 Hamilton Landing, Suite 160
Novato, CA**

(Address of Principal Executive Offices)

86-1728920

(I.R.S. Employer
Identification No.)

94949

(Zip Code)

(650) 276-7040

Registrant's telephone number, including area code

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	N/A	N/A

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

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

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

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

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

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

As of August 6, 2025, the registrant had 28,743,577 shares of common stock, \$0.0001 par value per share, outstanding.

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Part I. Financial Information

Item 1. Financial Statements

QT IMAGING HOLDINGS, INC.
Condensed Consolidated Balance Sheets
(Unaudited)

	June 30, 2025	December 31, 2024
ASSETS		
Current assets:		
Cash	\$ 2,022,180	\$ 1,172,104
Restricted cash and cash equivalents	20,000	20,000
Accounts receivable	3,651,310	67,119
Inventory	3,231,098	3,140,719
Prepaid expenses and other current assets	1,743,304	516,552
Total current assets	10,667,892	4,916,494
Property and equipment, net	166,676	195,783
Operating lease right-of-use assets, net	758,099	935,246
Other assets	39,150	39,150
Total assets	\$ 11,631,817	\$ 6,086,673
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 1,595,789	\$ 803,286
Accrued expenses and other current liabilities	4,210,416	3,549,954
Current maturities of long-term debt	36,698	4,985,833
Deferred revenue	34,286	49,365
Operating lease liabilities, current	429,350	405,678
Total current liabilities	6,306,539	9,794,116
Long-term debt	71,601	9,197
Related party notes payable	3,848,725	3,848,725
Operating lease liabilities	437,411	656,955
Warrant liability	25,791	22,234
Derivative liability	—	303,300
Earnout liability	280,000	440,000
Other liabilities	986,044	550,430
Total liabilities	11,956,111	15,624,957
Contingencies (Note 9)		
Stockholders' deficit:		
Preferred stock, \$0.0001 par value; 10,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$0.0001 par value; 500,000,000 shares authorized as of June 30, 2025 and December 31, 2024; 28,643,478 and 26,768,210 shares issued and outstanding as of June 30, 2025 and December 31, 2024, respectively	2,864	2,676
Additional paid-in capital	46,750,884	22,399,567
Accumulated deficit	(47,078,042)	(31,940,527)
Total stockholders' deficit	(324,294)	(9,538,284)
Total liabilities and stockholders' deficit	\$ 11,631,817	\$ 6,086,673

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

QT IMAGING HOLDINGS, INC.
Condensed Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Revenue	\$ 3,659,414	\$ 1,714,035	\$ 6,457,829	\$ 3,076,198
Cost of revenue	1,832,337	839,484	2,818,890	1,441,567
Gross profit	1,827,077	874,551	3,638,939	1,634,631
Operating expenses:				
Research and development	900,694	925,082	1,752,946	1,567,628
Selling, general and administrative	1,969,362	2,169,541	3,970,703	7,865,752
Total operating expenses	2,870,056	3,094,623	5,723,649	9,433,380
Loss from operations	(1,042,979)	(2,220,072)	(2,084,710)	(7,798,749)
Other income (expense), net	9,498	(187,394)	(8,739,955)	(208,325)
Change in fair value of warrant liability	(2,796,350)	213,942	(3,501,079)	190,819
Change in fair value of derivative liability	—	1,729,700	101,300	4,712,800
Change in fair value of earnout liability	210,000	310,000	160,000	2,920,000
Interest expense, net	(378,902)	(1,095,050)	(1,070,289)	(1,694,009)
Loss before income tax expense	(3,998,733)	(1,248,874)	(15,134,733)	(1,877,464)
Income tax expense	2,782	—	2,782	—
Net loss and comprehensive loss	(4,001,515)	(1,248,874)	(15,137,515)	(1,877,464)
Less: deemed dividend related to the modification of equity classified warrants	—	(5,185,502)	—	(5,185,502)
Net loss and comprehensive loss attributable to common stockholders	\$ (4,001,515)	\$ (6,434,376)	\$ (15,137,515)	\$ (7,062,966)
Net loss per share - basic and diluted	\$ (0.14)	\$ (0.30)	\$ (0.54)	\$ (0.41)
Weighted-average number of common shares used in computing net loss per common share	28,352,574	21,440,447	27,936,371	17,333,000

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

QT IMAGING HOLDINGS, INC.
Condensed Consolidated Statements of Stockholders' Deficit
For the three and six months ended June 30, 2025 and 2024
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount			
Balance, March 31, 2025	27,653,210	\$ 2,765	\$ 22,866,404	\$ (43,076,527)	\$ (20,207,358)
Issuance of shares of common stock related to private placements	990,268	99	298,631	—	298,730
Issuance of warrants related to private placements	—	—	380,511	—	380,511
Reclassification of warrant liability upon warrant modification	—	—	22,986,128	—	22,986,128
Stock-based compensation	—	—	219,210	—	219,210
Net loss	—	—	—	(4,001,515)	(4,001,515)
Balance, June 30, 2025	28,643,478	\$ 2,864	\$ 46,750,884	\$ (47,078,042)	\$ (324,294)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount			
Balance, March 31, 2024	21,437,216	\$ 2,144	\$ 13,482,441	\$ (18,398,735)	\$ (4,914,150)
Issuance of common stock to settle transaction expenses	4,200	—	3,655	—	3,655
Deemed dividend related to modification of equity classified warrants	—	—	5,185,502	(5,185,502)	—
Net loss	—	—	—	(1,248,874)	(1,248,874)
Balance, June 30, 2024	21,441,416	\$ 2,144	\$ 18,671,598	\$ (24,833,111)	\$ (6,159,369)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount			
Balance, January 1, 2025	26,768,210	\$ 2,676	\$ 22,399,567	\$ (31,940,527)	\$ (9,538,284)
Conversion of long term debt into shares of common stock	885,000	89	366,121	—	366,210
Issuance of shares of common stock related to private placements	990,268	99	298,631	—	298,730
Issuance of warrants related to private placements	—	—	380,511	—	380,511
Reclassification of warrant liability upon warrant modification	—	—	22,986,128	—	22,986,128
Stock-based compensation	—	—	319,926	—	319,926
Net loss	—	—	—	(15,137,515)	(15,137,515)
Balance, June 30, 2025	28,643,478	\$ 2,864	\$ 46,750,884	\$ (47,078,042)	\$ (324,294)

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

QT IMAGING HOLDINGS, INC.
Condensed Consolidated Statements of Stockholders' Deficit
For the three and six months ended June 30, 2025 and 2024
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount			
Balance, January 1, 2024	27,941,290	\$ 27,941	\$ 12,430,125	\$ (17,770,145)	\$ (5,312,079)
Reverse recapitalization	(18,365,365)	(26,983)	26,983	—	—
As adjusted, beginning of period (1)	9,575,925	958	12,457,108	(17,770,145)	(5,312,079)
Merger recapitalization	7,898,954	790	(12,939,955)	—	(12,939,165)
Issuance of common stock pursuant to a subscription agreement	200,000	20	705,980	—	706,000
Conversion of a note payable	359,266	36	3,233,352	—	3,233,388
Conversion of a bridge loan	100,000	10	199,990	—	200,000
Net exercise of warrants	5,594	1	(1)	—	—
Issuance of common stock in connection with the Pre-Paid Advance	1,000,000	100	1,866,184	—	1,866,284
Issuance of common stock in connection with the Cable Car Note	180,000	18	446,315	—	446,333
Issuance of common stock related to non-redemption extension agreements	427,477	42	1,508,951	—	1,508,993
Issuance of common stock related to early investor consideration	150,000	15	529,485	—	529,500
Issuance of common stock to settle transaction expenses	1,544,200	154	5,439,703	—	5,439,857
Stock-based compensation	—	—	38,984	—	38,984
Deemed dividend related to modification of equity classified warrants	—	—	5,185,502	(5,185,502)	—
Net loss	—	—	—	(1,877,464)	(1,877,464)
Balance, June 30, 2024	<u>21,441,416</u>	<u>\$ 2,144</u>	<u>\$ 18,671,598</u>	<u>\$ (24,833,111)</u>	<u>\$ (6,159,369)</u>

(1) Amounts as of December 31, 2023 and before that date differ from those in prior year consolidated financial statements as they were retrospectively adjusted as a result of the accounting or the Business Combination (as defined in the Notes to Condensed Consolidated Financial Statements).

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

QT IMAGING HOLDINGS, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
	2025	2024
Cash flows from operating activities:		
Net loss	\$ (15,137,515)	\$ (1,877,464)
Adjustment to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	75,924	184,775
Stock-based compensation	319,926	38,984
Warrant modification expense	—	200,513
Loss on issuance of the Lynrock Lake Term Loan	6,640,384	—
Debt extinguishment loss	2,033,666	—
Debt modification expense	90,000	—
Provision for credit losses	—	1,290
Fair value of common stock issued in exchange for services and in connection with non-redemption agreements	—	3,718,349
Loss on issuance of common stock in connection with a subscription agreement	—	206,000
Non-cash interest	547,820	1,200,670
Non-cash operating lease income	(18,725)	(11,876)
Change in fair value of warrant liability	3,501,079	(190,819)
Change in fair value of derivative liability	(101,300)	(4,712,800)
Change in fair value of earnout liability	(160,000)	(2,920,000)
Changes in operating assets and liabilities:		
Accounts receivable	(3,584,191)	(669,138)
Inventory	(90,379)	1,352,734
Prepaid expenses and other current assets	(1,226,752)	(553,691)
Accounts payable	771,743	(2,280,535)
Accrued expenses and other current liabilities	938,963	51,572
Deferred revenue	(15,079)	(315,873)
Other liabilities	435,614	(377,772)
Net cash used in operating activities	<u>(4,978,822)</u>	<u>(6,955,081)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(46,818)	(26,977)
Net cash used in investing activities	<u>(46,818)</u>	<u>(26,977)</u>
Cash flows from financing activities:		
Proceeds from sale of common stock and warrants	700,000	—
Proceeds from issuance of common stock pursuant to subscription agreement, net of issuance costs	—	500,000
Proceeds from long-term debt, net of issuance costs	10,000,000	10,525,000
Repayment of long-term debt	(4,674,284)	(65,018)
Repayment of bridge loans	—	(800,000)
Payment of deferred issuance costs	(150,000)	—
Proceeds from the Merger, net of transaction costs	—	1,238,530
Net cash provided by financing activities	<u>5,875,716</u>	<u>11,398,512</u>
Net increase in cash and restricted cash and cash equivalents	850,076	4,416,454
Cash and restricted cash and cash equivalents, beginning of year	1,192,104	184,686
Cash and restricted cash and cash equivalents, end of year	<u>\$ 2,042,180</u>	<u>\$ 4,601,140</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 12,379	\$ 161,013
Supplemental disclosures of noncash investing and financing activities:		

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

QT IMAGING HOLDINGS, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

Purchases of equipment included in accounts payable	\$	—	\$	7,613
Fair value of embedded derivatives upon issuance of convertible debt		—		5,120,900
Fair value of common stock issued with convertible debt		—		2,312,617
Transfer of equipment to inventory		—		289,214
Conversion of accrued interest into common stock		174,397		—
Extinguishment of accrued expenses in exchange for common stock		—		3,760,000
Debt issuance costs included in accrued expenses		144,300		40,740
Conversion of long-term debt into common stock		182,682		3,433,388
Fair value of warrants issued in exchange for issuance of long-term debt		16,496,084		—
Unpaid issuance costs related to sale of common stock and warrants		20,759		—
Deferred issuance costs included in accrued expenses		7,685		—
Reclassification of warrant liability upon warrant modification		22,986,128		—
Deemed dividend		—		5,185,502

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

QT IMAGING HOLDINGS, INC.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. The Company and Summary of Significant Accounting Policies

Nature of Operations

QT Imaging Holdings, Inc. and its subsidiaries (the “Company”), formerly known as GigCapital5, Inc. (“GigCapital5”), is incorporated in Delaware with headquarters in Novato, California. The Company is a medical device company engaged in research, development, and commercialization of innovative body imaging systems using low frequency sound waves. The Company strives to improve global health outcomes. Its strategy is predicated upon the fact that medical imaging is critical to the detection, diagnosis, and treatment of disease and that it should be safe, affordable, accessible, and centered on the patient’s experience. The Company’s initial product is a breast imaging system.

On March 4, 2024 (the “Closing Date” or “Merger Date”), QT Imaging, Inc. (“QT Imaging”), GigCapital5, and QTI Merger Sub, Inc. (“QTI Merger Sub”) pursuant to the terms of the Business Combination Agreement (the “Business Combination Agreement”) dated December 8, 2022, completed the business combination of QT Imaging and GigCapital5 which was effected by the merger of QTI Merger Sub with and into QT Imaging, with QT Imaging surviving the merger as a wholly owned subsidiary of GigCapital5 (the “Merger,” and, together with the other transaction contemplated by the Business Combination Agreement, the “Business Combination”). Upon completion of the Merger on March 4, 2024, GigCapital5 changed its name to QT Imaging Holdings, Inc. and effectively assumed all of QT Imaging’s material operations. Refer to Note 2 - Business Combination for more information regarding the Merger.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”) applicable to interim financial statements. Accordingly, certain information related to significant accounting policies and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2024 and the related notes which provide a more complete discussion of the Company's accounting policies and certain other information. The December 31, 2024 condensed consolidated balance sheet was derived from the Company's audited consolidated financial statements.

These unaudited condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and, in the opinion management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company's condensed consolidated results for the periods presented. The condensed consolidated statements of operations and comprehensive loss for the three and six months ended June 30, 2025 are not necessarily indicative of the results to be expected for the year ending December 31, 2025 or for any other future annual or interim period.

The share and per share amounts, prior to the Merger, have been retrospectively restated as shares reflecting conversion at the exchange ratio of approximately 0.3427 established in the Business Combination Agreement.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of QT Imaging Holdings, Inc. and its wholly-owned subsidiaries, QT Imaging and QT Ultrasound Labs, Inc. (“QT Labs”). 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 \$47,078,042 as of June 30, 2025. During the six months ended June 30, 2025, the Company incurred a net loss of \$15,137,515 and used \$4,978,822 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.

On February 26, 2025, the Company entered into a credit agreement (the "Credit Agreement") that provides a senior secured term loan (the "Lynrock Lake Term Loan") with Lynrock Lake Master Fund LP ("Lynrock Lake") for a term loan in the aggregate principal amount of \$10.1 million and repaid the secured note purchase agreement (the "Cable Car Note") with Funicular Funds, LP ("Cable Car") issued in February 2024, and fully settled its obligations under the promissory note (the "Yorkville Note") issued to YA II PN, LTD ("Yorkville") on March 4, 2024 and terminated the Standby Equity Purchase Agreement (the "SEPA") with Yorkville by paying \$3.0 million in cash and issuing a 5-year warrant to purchase 15 million shares of common stock. Net of these payments, the Company had \$5.4 million of net proceeds for working capital purposes. On April 24, 2025, the Company received an additional \$500,000 from related persons in exchange for issuance of shares of common stock plus warrants for the purchase of common stock in another Private Investment in Public Entity ("PIPE") for working capital purposes. On May 12, 2025, the Company entered into a subscription agreement for another PIPE investment in an amount of approximately \$200,000 that closed on May 12, 2025, pursuant to which the Company issued shares of common stock plus warrants for the purchase of common stock. The proceeds of this PIPE investment will be used for working capital purposes.

The Distribution Agreement, as amended on March 28, 2025 (the "Amended Distribution Agreement") between the Company and NXC Imaging, Inc. ("NXC") provides the Company with minimum order quantities ("MOQs") amounting to expected cash inflows of \$18.0 million in 2025 and \$27.0 million in 2026. On March 28, 2025, the Company entered into the Canon Manufacturing Agreement (the "Canon Manufacturing Agreement") with Canon Medical Systems, Inc. ("CMSC"), which provides the Company the ability to scale manufacturing with favorable payment terms of net 90 days to support the delivery of MOQs under the Amended Distribution Agreement.

Management believes that the additional cash received for the Lynrock Lake Term Loan and from the related persons in the April 2025 and May 2025 PIPE investments, and the additional expected revenue from MOQs per the Amended Distribution Agreement will be sufficient to fund the Company's current operating plan for at least the next 12 months.

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, purchasing inventory to meet its growth plan, and the timing and cost to enhance commercialized existing 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.

Revised Condensed Consolidated Financial Statements

The Company has revised its condensed consolidated financial statements for the six months ended June 30, 2024 to correct a misstatement identified related to the initial recognition of the earnout liability associated with the Merger. The Company assessed the materiality of this misstatement in accordance with SEC Staff Accounting Bulletin No. 108 – "Quantifying Misstatements" and concluded this error was not qualitatively material. As such, the correction of the error for the affected periods will be reflected prospectively in the Quarterly Reports on Form 10-Q for fiscal year 2025. Refer to the schedules in Note 17 in the consolidated financial statements included in the Form 10-K for the year ended December 31, 2024 filed on March 31, 2025 and Note 16 - Revised Financial Statements for effects of this revision.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with 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 and Supply Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and accounts receivable. 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.

Significant customers represent 10% or more of the Company's total revenue or accounts receivable balance for the period ended as of each reporting date. For each significant customer, revenue as a percentage of total revenue and accounts receivable as a percentage of total accounts receivable were as follows:

	Accounts Receivable, Net		Revenue			
			Three Months Ended June 30,		Six Months Ended June 30,	
	June 30, 2025	December 31, 2024	2025	2024	2025	2024
Customers:						
Customer A	99 %	13 %	99 %	75 %	98 %	56 %
Customer B	*	*	*	*	*	30 %
Customer C	*	12 %	*	24 %	*	13 %
Customer D	*	62 %	*	*	*	*
	99 %	87 %	99 %	99 %	98 %	99 %

*Total less than 10% for the period.

There are inherent risks whenever a large percentage of total revenue is concentrated in a limited number of customers. Should a significant customer which is a party to a contract with the Company under which the Company derives revenue terminate or fail to renew its contracts with the Company, in whole or in part, for any reason, or experience significant financial or operating difficulties, it could have a material adverse effect on the Company's financial condition and results of operations. In general, a customer that makes up a significant portion of revenues in one period, may not make up a significant portion in subsequent periods. However, as the Company has entered into a Distribution Agreement ("NXC Distribution Agreement") with NXC on June 18, 2024, and as amended by the Amended Distribution Agreement on December 11, 2024, which was further amended on March 28, 2025, by which the Company appointed NXC as the exclusive reseller to market, advertise, and resell certain equipment in the U.S. and U.S. territories, the Company expects that NXC will make up a significant portion of revenues in each period in which such NXC Distribution Agreement is in effect. Customer A in the concentration table above is NXC. NXC has executed agreements with other distributors across the U.S. Territories to strengthen its sales channels.

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 Company's QT Breast Scanner has more than six hundred components, of which less than five components have such dependencies on limited 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.

Net Loss per Share

Basic net loss per share is calculated by dividing the net loss attributable to common stockholders 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 attributable to common stockholders 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 June 30, 2025 and 2024:

	June 30, 2025	June 30, 2024
Common stock warrants	106,048,119	23,889,364
Potential shares from Pre-Paid Advance	—	11,626,337
Merger consideration earnout shares	6,000,000	9,000,000
Potential shares from Cable Car Note	—	750,000
Potential shares from convertible notes	259,052	247,250
Options outstanding	3,320,999	—
	<u>115,628,170</u>	<u>45,512,951</u>

Summary of Significant Accounting Policies

Other than the policies discussed above, there have been no changes to the Company’s significant accounting policies described in its Annual Report on Form 10-K for the year ended December 31, 2024 that have had a material impact on its condensed consolidated financial statements.

Recent Accounting Pronouncements

In December 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which requires disclosure of specific categories in the effective tax rate reconciliation and additional information for reconciling items that meet a quantitative threshold and further disaggregation of income taxes paid for individually significant jurisdictions. This guidance is effective on a prospective or retrospective basis for annual periods beginning after December 15, 2025, with early adoption permitted. The Company is currently evaluating the impact of this guidance on the disclosures within its condensed consolidated financial statements.

In November 2024, the FASB issued ASU 2024-03, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses. The standard requires that public business entities disclose additional information about specific expense categories in the notes to financial statements for interim and annual reporting periods. The standard will become effective for the Company’s 2027 annual consolidated financial statements and interim condensed consolidated financial statements thereafter and may be applied prospectively to periods after the adoption date or retrospectively for all prior periods presented in the financial statements, with early adoption permitted. The Company is currently evaluating the impact of this guidance on the disclosures within its condensed consolidated financial statements.

In November 2024, the FASB issued ASU 2024-04, Debt—Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments. This standard clarifies the requirements for determining whether certain settlements of convertible debt instruments should be accounted for as an induced conversion and the application of the induced conversion guidance to a conversion debt instrument. It also clarifies that the incorporation, elimination, or modification of a daily volume-weighted average price (“VWAP”) formula does not automatically cause a settlement to be accounted for as an extinguishment. This standard will become effective on a prospective or retrospective basis for interim reporting periods and annual periods beginning after December 15, 2025. Early adoption is permitted. The Company is currently evaluating the impact of this guidance on the condensed consolidated financial statements.

In May 2025, the FASB issued ASU 2025-04, Compensation-Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Clarifications to Share-Based Consideration Payable to a Customer. This standard requires that a grantor apply the guidance in Topic 718, Compensation-Stock Compensation, to measure and classify share-based consideration payable to a customer. It also requires that if share-based consideration payable to a customer contains vesting conditions, the grant must determine whether the vesting conditions represent service conditions or performance conditions. This standard will become effective for all entities for annual reporting periods

beginning after December 15, 2026. Early adoption is permitted. The Company does not expect this guidance to impact its condensed consolidated financial statements.

In July 2025, the FASB issued ASU 2025-05, Measurement of Credit Losses for Accounts Receivable and Contract Assets, which provides a practical expedient to measure credit losses on accounts receivable and contract assets. The ASU is effective for annual periods beginning after December 15, 2025, and interim periods within those annual reporting periods. Early adoption is permitted. The Company is currently evaluating the timing of the adoption and the impact of the new standard on its consolidated financial statements and related disclosures.

2. Business Combination

As described in Note 1, the Merger with GigCapital5 was consummated on March 4, 2024. On the Merger Date, QT Imaging, GigCapital5, and QT Merger Sub, consummated the closing of the transactions contemplated by the Business Combination Agreement, following the approval at an annual stockholder meeting of the stockholders of GigCapital5 held on February 20, 2024 (the “Stockholder Meeting”).

The Business Combination was accounted for as a reverse recapitalization. Under this method of accounting, GigCapital5 was treated as the acquired company for financial reporting purposes. Accordingly, for accounting purposes, the Business Combination was treated as the equivalent of QT Imaging issuing shares of the net assets of GigCapital5, accompanied by a recapitalization. The shares and net loss per common share prior to the Merger have been retroactively restated as shares reflecting the exchange ratio established in the Merger (approximately 0.3427 shares of the Company's common stock for each share of QT Imaging common stock). The net liabilities of GigCapital5 have been recognized at carrying value, with no goodwill or other intangible assets recorded.

QT Imaging has been determined to be the accounting acquirer based on evaluation of the following facts and circumstances:

- QT Imaging's stockholders have a majority of the voting power of the Company;
- The majority of QT Imaging's board of directors continued to serve as directors of the Company;
- The majority of QT Imaging's management continued to serve as management of the Company;
- QT Imaging comprises the ongoing operations of the Company; and
- QT Imaging is the larger entity based on historical business activity and the larger employee base.

The following summarizes the elements of the Merger to the condensed consolidated statements of stockholders' deficit and cash flows, including the transaction funding, sources, and uses of cash:

	Recapitalization
Cash in GigCapital5 Trust Account, net of redemptions	\$ 13,952,525
Plus: cash in GigCapital5 operating bank account	4,829
Less: Payments made pursuant to non-redemption agreements	(10,791,550)
Less: GigCapital5 transaction costs paid from Trust	(1,073,667)
Less: Repayment of GigCapital5 related party notes	(853,607)
Net cash proceeds from GigCapital5	1,238,530
Assumed net liabilities from GigCapital5, including the initial recognition of the earnout liability, excluding net cash proceeds	(14,177,695)
Net impact of the Merger on the condensed consolidated statement of stockholders' deficit	<u>\$ (12,939,165)</u>

3. Fair Value Measurements

The fair value of the Company's financial assets and liabilities reflects management's estimate of amounts that the Company would have received in connection with the sale of the assets or paid in connection with the transfer of the liabilities in an orderly transaction between market participants at the measurement date. In connection with measuring the fair value of its assets and liabilities, the Company seeks to maximize the use of observable inputs (market data obtained from independent sources) and to minimize the use of unobservable inputs (internal assumptions about how

market participants would price assets and liabilities). The following fair value hierarchy is used to classify assets and liabilities based on the observable inputs and unobservable inputs used in order to value the assets and liabilities:

Level 1: Quoted prices in active markets for identical assets or liabilities. An active market for an asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Observable inputs other than Level 1 inputs. Examples of Level 2 inputs include quoted prices in active markets for similar assets or liabilities and quoted prices for identical assets or liabilities in markets that are not active.

Level 3: Unobservable inputs which are supported by little or no market activity and which are significant to the fair value of the assets or liabilities.

The following table presents information about the Company's assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2025 and December 31, 2024, and indicates the fair value hierarchy of the valuation inputs the Company utilized to determine such fair value:

Description:	Level	June 30, 2025	December 31, 2024
Assets:			
Certificate of deposit	2	\$ 20,000	\$ 20,000
Liabilities:			
Warrant Liability	2	\$ 25,791	\$ 22,234
Earnout liability	3	\$ 280,000	\$ 440,000
Derivative liability	3	\$ —	\$ 303,300

Warrant Liability

The Company has determined that the warrants that were a constituent part of (i) the private placement units that were issued in a private placement sale by GigCapital5 prior to the Merger and (ii) the private placement units that were issued upon conversion of working capital notes issued by GigCapital5 prior to the Merger, which conversion occurred concurrent with the Merger ("Private Warrants") are subject to treatment as a liability, as the transfer of the warrants to anyone other than the purchasers or their permitted transferees would result in these warrants having substantially the same terms as the warrants included in the public units that were issued by GigCapital5 prior to the Merger ("Public Warrants"). The Company determined that the fair value of each Private Warrants approximates the fair value of a Public Warrant. Accordingly, the Private Warrants are valued upon observable data and have been classified as Level 2 financial instruments. As of June 30, 2025 and December 31, 2024, a total of 889,364 Private Warrants were outstanding at an approximate fair value of \$0.029 and \$0.025 per warrant, respectively. See Note 10.

The activity for the fair value of the warrant liability during the three and six months ended June 30, 2025 were as follows:

	Private Warrants
Beginning balance, January 1, 2025	\$ 22,234
Change in fair value	(13,252)
Ending balance, March 31, 2025	8,982
Change in fair value	16,809
Ending balance, June 30, 2025	\$ 25,791

On February 26, 2025, the Company entered into the Credit Agreement that provides the Lynrock Lake Term Loan with Lynrock Lake. In connection with the Lynrock Lake Term Loan, the Company issued to Lynrock Lake, pursuant to the terms of a Warrant to Purchase Common Stock (the "Lynrock Lake Warrant"), a warrant to purchase 61,000,000 shares of common stock at an exercise price of \$0.40 per share. The Lynrock Lake Warrant is exercisable until February 26, 2035. Lynrock Lake may cashless exercise the Lynrock Lake Warrant. The Lynrock Lake Warrant is also subject to anti-dilution adjustments to the exercise price and the number of shares which may be purchased upon exercise of the Lynrock Lake Warrant in the event that the Company issues shares of common stock (or derivative securities) at a price that is either less than the \$0.40 exercise price or the fair market value of a share of common stock from the immediately prior trading day. On June 11, 2025, the Lynrock Lake Warrant was amended to update the provisions that would trigger cash settlement such that, when such events occur, the holders of the warrants receive the same form of consideration as the underlying stockholders. According to ASC 815-40, *Derivatives and Hedging*:

Contracts in an Entities Own Equity, equity classification is permitted for an instrument that requires net-cash settlement if the holders of the contract's underlying shares receive the same form of consideration in transactions outside the company's control. Consequently, upon modification, the warrants were revalued and then reclassified to additional paid-in capital on the condensed consolidated balance sheets. The Company determined the fair value of the Lynrock Lake Warrant using the Black-Scholes pricing model.

Significant assumptions used in the valuation of the fair value of the Lynrock Lake Warrant as of issuance on February 26, 2025 and as of modification on June 11, 2025 were as follows:

	February 26, 2025		June 11, 2025	
Fair value of common stock	\$	0.40	\$	0.50
Exercise price	\$	0.40	\$	0.40
Expected warrant term (years)		10.0		9.7
Expected volatility		51.6 %		39.2 %
Risk-free rate of return		4.3 %		4.4 %
Expected annual dividend yield		— %		— %

The activity for the fair value of the Lynrock Lake Warrant during the three and six months ended June 30, 2025 were as follows:

	Lynrock Lake Warrant	
Beginning balance, January 1, 2025	\$	—
Fair value at issuance		16,496,084
Change in fair value		606,186
Ending balance, March 31, 2025		17,102,270
Change in fair value		2,294,669
Reclassification of warrant liability upon warrant modification		(19,396,939)
Ending balance, June 30, 2025	\$	—

On February 26, 2025, the Company issued to Yorkville a warrant to purchase 15,000,000 shares of common stock at an exercise price of \$0.40 per share pursuant to a Warrant to Purchase Common Stock (the "Yorkville Warrant") to fully settle and discharge the Company's obligations under the Yorkville Note and extinguish the Yorkville Note as having been fully performed. The Yorkville Warrant is exercisable until February 26, 2030. Yorkville may cashless exercise the Yorkville Warrant. The Yorkville Warrant is also subject to adjustments in the event that the Company's common stock undergoes a split, reverse-split or similar event. Furthermore, the Yorkville Warrant has provided the holder with piggyback registration rights. On June 11, 2025, the Yorkville Warrant was amended to update the provisions that would trigger cash settlement such that, when such events occur, the holders of the warrants receive the same form of consideration as the underlying stockholders. According to ASC 815-40, *Derivatives and Hedging: Contracts in an Entities Own Equity*, equity classification is permitted for an instrument that requires net-cash settlement if the holders of the contract's underlying shares receive the same form of consideration in transactions outside the company's control. Consequently, upon modification, the warrants were revalued and then reclassified to additional paid-in capital on the condensed consolidated balance sheets. The Company determined the fair value of the Yorkville Warrant using the Black-Scholes Model.

Significant assumptions used in the valuation of the fair value of the Yorkville Warrant as of issuance on February 26, 2025 and as of modification on June 11, 2025 were as follows:

	February 26, 2025		June 11, 2025	
Fair value of common stock	\$	0.40	\$	0.50
Exercise price	\$	0.40	\$	0.40
Expected warrant term (years)		5.0		4.7
Expected volatility		51.6 %		39.2 %
Risk-free rate of return		4.1 %		4.0 %
Expected annual dividend yield		— %		— %

The activity for the fair value of the Yorkville Warrant during the three and six months ended June 30, 2025 were as follows:

	Yorkville Warrant
Beginning balance, January 1, 2025	\$ —
Fair value at issuance	2,992,522
Change in fair value	111,795
Ending balance, March 31, 2025	3,104,317
Change in fair value	484,872
Reclassification of warrant liability upon warrant modification	(3,589,189)
Ending balance, June 30, 2025	\$ —

Earnout Liability

The fair value of the Merger Consideration Earnout shares was calculated using a Monte Carlo simulation. The simulation used as significant inputs the Company's 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 0 to 25 percent. The revenue forecast for the respective measurement periods are generally in line with the revenue triggers as defined in the Business Combination Agreement, as amended. Additional significant inputs into the simulation include the volatility of Company's 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 common stock prices for 2026 using a Geometric Brownian Motion framework. 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.

Significant assumptions used in the valuation of the fair value of the earnout liability as of June 30, 2025 and December 31, 2024 were as follows:

	June 30, 2025	December 31, 2024
Fair value of common stock	\$ 1.33	\$ 0.49
Volatility of revenue	24.0 %	23.0 %
Discount rate applicable to revenue	7.0 %	7.0 %
Risk-free rate	3.9 %	4.2 %
Risk premium	3.1 %	2.7 %
Cost of debt	15.5 %	15.5 %
Credit risk spread	11.6 %	11.3 %
Equity volatility	110.0 %	120.0 %

The activity for the fair value of the earnout liability for the three and six months ended June 30, 2025 were as follows:

	Earnout Liability
Beginning balance, January 1, 2025	\$ 440,000
Change in fair value	50,000
Ending balance, March 31, 2025	490,000
Change in fair value	(210,000)
Ending balance, June 30, 2025	<u>\$ 280,000</u>

Derivative Liability

In March 2024, the Company recorded a derivative liability related to the Pre-Paid Advance issued on March 4, 2024 pursuant to the SEPA, dated November 15, 2023, between QT Imaging and Yorkville. The Pre-Paid Advance contained the following derivative features (“Derivatives”) as defined in the SEPA 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 common stock issued to Yorkville upon the Merger (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 Yorkville 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 (as such term is defined in the Yorkville Note).
- **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 Yorkville or credit Yorkville’s balance account with DTC for the number of shares of common stock to which the Holder is entitled upon such Yorkville’s conversion of any Conversion Amount (a “Conversion Failure”), and if on or after such Trading Day the Yorkville purchases (in an open market transaction or otherwise) common stock to deliver in satisfaction of a sale by the Yorkville of common stock issuable upon such conversion that the Yorkville anticipated receiving from the Company (a “Buy-In”), then the Company shall, within three (3) Business Days after the Yorkville’s request and in the Yorkville’s discretion, either (i) pay cash to Yorkville in an amount equal to Yorkville’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 Yorkville a certificate or certificates representing such common stock and pay cash to the Yorkville 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 of the common stock 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 Yorkville 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 the Yorkville 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 the Yorkville 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 initial fair value of the above Derivatives was calculated using a Monte Carlo simulation. The simulation used significant inputs, including volatility of Company's equity that was derived based on a comparable peer group of publicly traded companies and the Company's stock price on the valuation date.

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 minimis.

The Company and Yorkville entered into that certain Termination Agreement, dated February 26, 2025 (the "Termination Agreement"), pursuant to which the parties acknowledged the termination of the SEPA and the Yorkville Note, effective as of February 26, 2025. As such, on the effective date of the Termination Agreement, the derivative liability was deemed to be extinguished. The Company recorded the change in fair value of the derivative liability within the condensed consolidated statements of operations and comprehensive loss as of the date immediately prior to the effective date of the Termination Agreement.

Significant assumptions used in the valuation of the fair value of the derivative liability as of December 31, 2024 and February 26, 2025 were as follows:

	December 31, 2024	February 26, 2025
Fair value of common stock	\$ 0.49	\$ 0.41
Term in years	1.26	1.11
Volatility	120.0 %	125.0 %
Risk-free rate	4.2 %	4.1 %
Debt discount	30.0 %	30.0 %

The activity for the fair value of the derivative liability during the six months ended June 30, 2025 was as follows:

	Derivative Liability
Beginning balance, January 1, 2025	\$ 303,300
Extinguishment upon Termination Agreement	(202,000)
Change in fair value	(101,300)
Ending balance, March 31, 2025 and June 30, 2025	<u>\$ —</u>

The extinguishment of the derivative liability of \$0 and \$202,000 was recorded in other income (expense), net within the condensed consolidated statements of operations and comprehensive loss during the three and six months ended June 30, 2025, respectively.

4. Inventory

Inventory consisted of the following as of June 30, 2025 and December 31, 2024:

	June 30, 2025	December 31, 2024
Raw materials	\$ 2,396,311	\$ 2,551,947
Work in process	826,728	278,869
Finished goods	8,059	309,903
Total	<u>\$ 3,231,098</u>	<u>\$ 3,140,719</u>

5. Property and Equipment, Net

Property and equipment, net consisted of the following as of June 30, 2025 and December 31, 2024:

	Useful Life	June 30, 2025	December 31, 2024
Scanners	5 Years	\$ 1,904,491	\$ 1,904,491
Computer and lab equipment	3-5 Years	1,471,330	1,424,513
Leasehold improvements	Various	421,266	421,266
Software	3 Years	50,374	50,374
Furniture and fixtures	7 Years	82,336	82,336
		3,929,797	3,882,980
Less: accumulated depreciation		(3,763,121)	(3,687,197)
		<u>\$ 166,676</u>	<u>\$ 195,783</u>

Depreciation expense was \$38,293 and \$42,233 for the three months ended June 30, 2025 and 2024, respectively. Depreciation expense was \$75,924 and \$94,636 for the six months ended June 30, 2025 and 2024, respectively.

6. Balance Sheet Details

Prepaid expenses and other current assets consisted of the following as of June 30, 2025 and December 31, 2024:

	June 30, 2025	December 31, 2024
Prepaid insurance	\$ 268,240	\$ 179,143
Other receivable	665,165	131,865
Deferred issuance costs	157,685	—
Other	652,214	205,544
Total	<u>\$ 1,743,304</u>	<u>\$ 516,552</u>

Accrued expenses and other current liabilities consisted of the following as of June 30, 2025 and December 31, 2024:

	June 30, 2025	December 31, 2024
Accrued legal	\$ 1,925,900	\$ 1,867,107
Accrued personnel costs	950,214	963,865
Accrued excise taxes	13,790	207,358
Accrued advisory fee	5,400	100,000
Purchase commitment	665,145	—
Other	649,967	411,624
Total	<u>\$ 4,210,416</u>	<u>\$ 3,549,954</u>

7. Long-Term Debt

Yorkville Pre-Paid Advance

On March 4, 2024, the Company received the Pre-Paid Advance of \$10,000,000 from Yorkville and issued Yorkville the Yorkville Note in the amount of \$10,000,000 for such Pre-Paid Advance that was originally 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 is convertible by Yorkville into shares of the Company's common stock. As consideration for the Pre-Paid Advance, immediately prior to, and substantially concurrently with, the closing of the Business Combination, QT Imaging issued to Yorkville that number of shares of QT Imaging which converted in the aggregate into 1,000,000 shares of the Company's common stock upon the completion of the Business Combination. In accordance with Accounting Standards Codification ("ASC") 470-20, the proceeds of \$10,000,000 were 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 an original issue discount of 6% for the Yorkville Note, on a relative fair value basis. Expenses related to a structuring fee was \$0 and \$20,000 for the three and six months ended June 30, 2024, respectively, and was included in other income (expense), net in the condensed consolidated statements of operations and comprehensive loss. As noted in Note 3 - the Pre-Paid Advance contained Derivatives that were bifurcated and recorded a separate instrument. The initial value of the Derivatives of the \$5,120,900 was recorded as a debt discount against the Pre-Paid Advance.

Under the terms of the original Yorkville Note, a “Trigger Event” shall occur if the daily VWAP is less than the Floor Price for five trading days during a period of seven consecutive trading days (a “Floor Price Trigger” and the last such day of such occurrence, a “Trigger Date”). If, at any time six months after the issuance of the Yorkville Note, a Trigger Event occurs, then the Company will be obligated to make monthly payments in an amount equal to the sum of (i) \$1,500,000 of principal in the aggregate among all promissory notes issued to Yorkville (or the outstanding principal if less than such amount) (the “Triggered Principal Amount”), plus (ii) a payment premium of 5% in respect of such Triggered Principal Amount, and (iii) accrued and unpaid interest hereunder as of each payment date beginning on the 5th trading day after the Trigger Date and continuing on the same day of each successive calendar month to Yorkville pursuant to the terms of the Yorkville Note. However, in the event that the Company shall be required to make such cash payments to Yorkville under the Yorkville Note as a result of the occurrence of a Trigger Event, the Company shall be entitled upon written notice to Yorkville, to direct that Yorkville (i) if Yorkville has sold the Company Shares that it received upon the completion of the Merger to apply, in accordance with the terms of the Yorkville Note, up to 50% of Yorkville’s net sale proceeds of the Company Shares to satisfy, in part or in whole, the Triggered Principal Amount of such cash payments due to Yorkville or (ii) or if Yorkville has not sold the Company Shares, to apply up to 50% of the value of the Company Shares on such date the cash payment is due based on the VWAP as quoted by Bloomberg LP of the Company Shares as an offset of the Triggered Principal Amount of the cash payments due to Yorkville. The obligation of the Company to make monthly prepayments due to the occurrence of a Floor Price Trigger shall cease (with respect to any payment that has not yet come due) if any time after the Trigger Date (a) the Company reduces the Floor Price to an amount that is at least 50% of the daily VWAP of the common stock or (b) the daily VWAP is greater than 110% of the Floor Price for a period of five consecutive trading days, unless a subsequent Trigger Event occurs. Furthermore, within one trading day of a Floor Price Trigger that remains after application of all amounts related to the Company Shares as described above, the Company shall reduce the Floor Price to an amount that is at least 50% of the daily VWAP of the common stock, and provide Yorkville written confirmation of such reduction of the Floor Price or be obligated to make the above monthly cash payments.

Following the effectiveness of the registration statement on Form S-1 that the Company filed to register the shares to be issued pursuant to the SEPA, the Floor Price for Yorkville was \$0.8768 per share. For the first five trading days commencing after six months after the issuance of the Yorkville Note, which ended on September 11, 2024, the daily VWAP of the common stock was less than the Floor Price, and as a result, September 11, 2024 constitutes a Trigger Date, and on that Trigger Date, a Trigger Event occurred due to a Floor Price Trigger. Accordingly, on September 13, 2024, the Company made the initial payment due to Yorkville as a result of the Trigger Event that occurred on September 11, 2024 in an amount totaling \$1,521,581, the calculation of which reflects a reduction to the Triggered Principal Amount by 50% of the net sale proceeds of the Company Shares by Yorkville following the closing of the Business Combination. The total payment of \$1,521,581 comprised of \$1,145,407 of principal, \$318,904 of accrued interest, and \$57,270 of 5% early payment premium.

On September 26, 2024, the Company and Yorkville entered into an Omnibus Amendment (the “Omnibus Amendment”), pursuant to which the Company and Yorkville agreed to amend certain terms of the Yorkville Note to reduce the Company’s obligations resulting from the occurrence of the Trigger Event. Pursuant to the Omnibus Amendment, the maturity date of the Yorkville Note was extended approximately six months from June 4, 2025 to December 15, 2025. Further, the Omnibus Amendment acknowledges the Company’s obligation to make monthly payments to Yorkville in the amount of the Trigger Principal Amount due to the occurrence of the Trigger Event and revised the Yorkville Note to provide that no further monthly payments will be owed during the period beginning on the date of the Omnibus Amendment and ending on January 15, 2025. In exchange for this relief, beginning on January 15, 2025, and continuing on the same day of each successive calendar month until and including November 15, 2025, whether or not a Trigger Event has occurred and is continuing as of such dates, the Company will make monthly payments in an amount equal to \$500,000 plus the payment premium of 5% plus accrued and unpaid interest under the Yorkville Note as of each such payment date. Such monthly payments will not be reduced or offset by any amount, including, but not limited to, any net sales proceeds of the Company Shares or any value of the Company Shares based on the VWAP as quoted by Bloomberg, LP. The Omnibus Amendment also provided that 100% of the

proceeds of the sale of the remaining 400,000 Company Shares held at the time of entry into the Omnibus Amendment by Yorkville shall be retained by Yorkville and shall not be used to offset or reduce any amounts owed under the Yorkville Note, or to otherwise benefit the Company in any way. The Omnibus Amendment also provides that in the event that the Company's common stock is delisted from trading on the Nasdaq Stock Market, Yorkville consents to the occurrence of such delisting from the Nasdaq Stock Market, if it is to happen, and that it will not constitute an Event of Default as defined per the Omnibus Amendment, provided that (i) the Company uses its best efforts to have its common stock relisted on the Nasdaq Stock Market as soon as possible and (ii) the Company's common stock is listed on the OTC Markets' OTCQX market tier within 30 days in the event that a delisting from the Nasdaq Stock Market occurs. The Omnibus Amendment was accounted for as a troubled debt restructuring, resulting in a prospective adjustment to the effective interest rate in accordance with ASC 470-60.

On October 31, 2024, the Company and Yorkville executed the Second Omnibus Amendment to the Yorkville Note (the "Second Amendment"), pursuant to which the maturity date of the Yorkville Note was extended from December 15, 2025 to March 31, 2026. Further, the Second Amendment acknowledged the Company's obligation to make monthly payments to Yorkville in the amount of the Trigger Principal Amount due to the occurrence of the Trigger Event and no further monthly payments will be owed during the period beginning on the date of the Second Amendment and ending on February 15, 2025. In exchange for this relief, beginning on February 15, 2025, and continuing on the same day of each successive calendar month until and including February 15, 2026, whether or not a Trigger Event has occurred and is continuing as of such dates, the Company agreed to make monthly payments in an amount equal to \$500,000 plus the payment premium plus accrued and unpaid interest as of each such payment date. Such monthly payments under the Second Amendment were not to be reduced or offset by any amount, including, but not limited to, any net sales proceeds of the Company Shares or any value of the Company Shares based on the VWAP as quoted by Bloomberg, L.P. Further, pursuant to the terms of the Second Amendment, the Company elected to reduce the Floor Price to \$0.50 per share, effective as of the date of the Second Amendment. In addition, the Second Amendment provided that to the extent that Yorkville converts any portion of the Investor Note into shares of the common stock between the date of the Second Amendment and January 15, 2025, the first \$500,000 of such conversions of the Yorkville Note shall reduce the principal balance of the Yorkville Note. For the avoidance of doubt and without implication that the opposite would otherwise be true, all other conversions of the Yorkville Note pursuant to the Second Amendment were to be applied as provided for in and consistent with the terms of the Yorkville Note. The Second Amendment also provided that in the event that the common stock is delisted from trading on the Nasdaq Stock Market, Yorkville consents to the occurrence of such delisting from the Nasdaq Stock Market, if it is to happen, and that it will not constitute an Event of Default as defined per the Omnibus Amendment, provided that (i) the Company uses its best efforts to have the common stock relisted on the Nasdaq Stock Market as soon as possible and (ii) the common stock is listed on the OTC Markets' OTCQX or OTCQB market tiers within 30 days in the event that a delisting from the Nasdaq Stock Market occurs. The Second Amendment was accounted for as a debt modification, resulting in a prospective adjustment to the effective interest rate.

On November 4, 2024, Yorkville converted \$254,593 of outstanding principal into 384,059 shares of common stock with an applicable conversion price of \$0.6629 per share. On December 6, 2024, Yorkville converted an additional \$259,588 of outstanding principal under the Yorkville Note into 519,177 shares of common stock with an applicable conversion price of \$0.50 per share.

On January 9, 2025, the Company and Yorkville entered into the Third Omnibus Amendment to the Yorkville Note, (the "Third Amendment"), pursuant to which, the Company and Yorkville agreed that for \$1.5 million of the then current outstanding balance due under the Yorkville Note (principal and unpaid accrued interest), the fixed price for conversion shall be modified to \$0.584 per share, and for the remainder of the balance, the fixed price shall not be changed but shall remain \$4.61395 per share as provided for in the Yorkville Note when the Company issued it on March 4, 2024. Further, the Third Amendment removed the Company's obligation to make monthly payments to Yorkville, previously owing due to the occurrence of the Trigger Event, such that no further monthly payments will be owed during the period beginning on the date of the Third Amendment and ending on the maturity date of the Yorkville Note of March 31, 2026. In exchange for this relief, the aggregate purchase price owed to the Company from the first Advance that occurs pursuant to the terms of the SEPA (the "Advance Proceeds") shall be paid by Yorkville offsetting the amount of the Advance Proceeds against an equal amount outstanding under the Yorkville Note (first towards accrued and unpaid interest, and then towards outstanding principal and the corresponding payment premium in respect of such principal amount, if applicable), and that for any subsequent Advances pursuant to the terms of the SEPA, Yorkville shall pay half of such Advance Proceeds directly to the Company and the other half of such Advance Proceeds shall be paid by Yorkville offsetting the amount of the Advance Proceeds against an equal amount outstanding under the Yorkville Note (first towards accrued and unpaid interest, and then towards

outstanding principal and the corresponding payment premium in respect of such principal amount, if applicable). On January 9, 2025, the Company delivered its first Advance Notice under the SEPA for the sale of 885,000 shares of common stock. This resulted in the reduction of an additional \$182,682 in principal of the Yorkville Note.

On February 26, 2025, the Company used a portion of the proceeds of the Lynrock Lake Term Loan to pay Yorkville an amount equal to \$3,000,000 in cash and issued to Yorkville a warrant to purchase 15,000,000 shares of its common stock at an exercise price of \$0.40 per share pursuant to the Yorkville Warrant to fully settle and discharge the Company's obligations under the Yorkville Note and extinguish the Yorkville Note as having been fully performed. The Yorkville Warrant is exercisable until February 26, 2030. The Company and Yorkville also entered into that certain Termination Agreement, dated February 26, 2025, pursuant to which the parties acknowledged the termination of the SEPA effective February 26, 2025. The fair value of the Yorkville Warrant at issuance amounted to \$2,992,522. As a result of the extinguishment of the Yorkville Note, the Company recorded an expense of \$0 and \$1,940,216, respectively, in other income (expense), net within the condensed consolidated statements of operations and comprehensive loss for the three and six months ended June 30, 2025.

As of December 31, 2024, the outstanding amount of the Yorkville Note was \$3,532,591, net of the unamortized debt discount of \$4,807,820 and accrued interest of \$155,203. Interest expense, including amortization of debt issuance costs, for the three months ended June 30, 2025 and 2024 was \$0 and \$953,436, respectively. Interest expense, including amortization of debt issuance costs, for the six months ended June 30, 2025 and 2024 was \$519,591 and \$1,187,066, respectively.

Cable Car Note

In February 2024, GigCapital5 and QT Imaging entered into the Cable Car Note with Cable Car, pursuant to which Cable Car agreed to advance \$1,500,000 at the closing of the Business Combination, as was evidenced by the Loan, dated March 4, 2024, by and between QT Imaging and Cable Car. The Cable Car Note 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 QT Imaging in lieu of any simple or in-kind interest on the Loan, QT Imaging issued to Cable Car that number of shares of QT Imaging 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 the Company's common stock. In accordance with ASC 470-20, the proceeds of \$1,500,000 were recorded between the promissory note and common stock less debt origination costs of \$40,740, consisting of legal fees, on a relative fair value basis.

On January 9, 2025, the Company and Cable Car entered into an Omnibus Amendment (the "Cable Car Amendment") to amend certain terms of the Cable Car Note, including a reduction of the conversion price for the Cable Car Note to \$0.584 per share. Further, the Cable Car Amendment provides that the maturity date for the Cable Car Note shall be extended to March 31, 2026, in consideration for which, the Company shall pay an extension fee (the "Extension Fee") of \$90,000 to Cable Car, with such fee being added to the amount due and payable on such maturity date, unless the Cable Car Note is earlier converted pursuant to its terms, in which event the Extension Fee shall also be converted. No interest shall accrue or be due on the Extension Fee. Pursuant to the Cable Car Amendment, interest shall accrue on the outstanding principal balance of the Cable Car Note at an annual rate equal to 6%, with interest being calculated based on a 365-day year and the actual number of days elapsed, to the extent permitted by applicable law. Interest shall be due and payable on the maturity date for the Cable Car Note, unless the Cable Car Note is earlier converted pursuant to its terms, in which event such accrued and unpaid interest shall also be converted. In addition, in connection with any sale, assignment, transfer, or other disposition (a "Cable Car Sale") of any shares into which the Cable Car Note is converted pursuant to its terms, the Cable Car Amendment provides that to the extent such Cable Car Sale is made pursuant to Rule 144, provided that Rule 144 is available as an exemption from the registration requirements for such Cable Car Sale, if requested by Cable Car and upon delivery by Cable Car of such customary representations and other documentation reasonably acceptable to the Company in connection with transactions relying upon Rule 144, the Company shall use commercially reasonable efforts to cause its transfer agent to remove any restrictive legends related to the book entry account holding such shares sold or disposed of by Cable Car without restrictive legends within two business days of such request. The Company recorded the Extension Fee of \$0 and \$90,000 in other income (expense), net within the condensed consolidated statements of operations and comprehensive loss for the three and six months ended June 30, 2025.

On February 26, 2025, the Company used a portion of the proceeds of the Lynrock Lake Term Loan to pay Cable Car an amount equal to the full principal, interest and fees amount of approximately \$1,625,000 in cash to fully settle

and discharge the Company's obligations under the Cable Car Note and extinguish the Cable Car Note as having been fully performed. As a result of the extinguishment of the Cable Car Note, the Company recorded an expense of \$0 and \$93,450 in other income (expense), net within the condensed consolidated statements of operations and comprehensive loss for the three and six months ended June 30, 2025, respectively.

As of December 31, 2024, the outstanding amount of the Cable Car Note was \$1,366,458, net of unamortized issuance costs of \$133,542. Interest expense, including amortization of debt issuance costs, for the three months ended June 30, 2025 and 2024 was \$0 and \$98,217, respectively. Interest expense, including amortization of debt issuance costs, for the six months ended June 30, 2025 and 2024 was \$36,386 and \$125,739, respectively.

Lynrock Lake Term Loan

On February 26, 2025, the Company entered into the Credit Agreement that provides the Lynrock Lake Term Loan with Lynrock Lake. The Credit Agreement is secured by a first priority lien on substantially all assets of the Company and provides for a term loan in the aggregate principal amount of \$10,100,000 at an interest rate of 10.0% per annum, compounded quarterly. The maturity date of the Credit Agreement is March 31, 2027. The Lynrock Lake Term Loan shall be repaid on the maturity date in an amount equal to the aggregate principal amount outstanding, together with all accrued and unpaid interest and any outstanding and payable fees.

Subject to the payment of the Make-Whole Amount (as defined in the Credit Agreement), the Company may at any time prior to the maturity date optionally prepay the term loan, in full or in part, upon irrevocable written notice of three business days prior to the proposed prepayment; provided that if such prepayment is to be funded with the proceeds of a refinancing or disposition, such notice of prepayment may be revoked if the financing or disposition is not consummated; provided further, that any such prepayment made in connection with, or in anticipation of, a Change of Control (as defined in the Credit Agreement) will also be subject to a prepayment premium equal to 20% of the amount of principal being prepaid (the "Prepayment Premium"). Partial prepayments of the term loan shall be in an aggregate principal amount of \$250,000 or a whole multiple thereof.

Subject to the payment of the Make-Whole Amount (as defined in the Credit Agreement), at the option of Lynrock Lake, the Company will make mandatory repayments of the term loan upon the following occurrences:

- If on any date the Company or any of its subsidiaries will receive any cash proceeds from any Extraordinary Receipt (as defined in the Credit Agreement) in an amount equal to or exceeding \$250,000 in the aggregate, the Company shall prepay the term loan within five business days of receipt of such cash proceeds, in an amount equal to 100% percent of the cash proceeds of such Extraordinary Receipt (as defined in the Credit Agreement);
- If any indebtedness will be incurred by the Company or any subsidiary thereof (excluding any indebtedness that the Credit Agreement permits the Company to incur), an amount equal to 100% of the net cash proceeds thereof shall be applied on the date of incurrence or receipt toward the prepayment of the term loan;
- If on any date the Company or any of its subsidiaries will receive net cash proceeds in an amount equal to or exceeding (i) \$250,000 in any single transaction or series of related transactions or (ii) \$250,000 in the aggregate for all transactions during the term of the Credit Agreement from any Asset Sale (as defined in the Credit Agreement) or Recovery Event (as defined in the Credit Agreement) then the Company or such subsidiary shall prepay the term loan, on or prior to the date which is five business days after the date of the realization or receipt by the Company or subsidiary in an amount equal to 100% percent of such proceeds; and
- Subject to the payment of the Prepayment Premium in addition to the Make-Whole Amount (as defined in the Credit Agreement), in the event that a Change of Control (as defined in the Credit Agreement) will occur, the Company shall prepay all of the outstanding term loan, on or prior to the date which is two business days after the date of such Change of Control (as defined in the Credit Agreement).

There are no requirements to make any prepayment in the event that the Company sells any of its capital stock. In addition, at the option of Lynrock Lake, the Company shall also make mandatory repayments of the term loan on a monthly basis, no later than five business days after the end of each month (provided that such date for payment is prior to the maturity date), if the Company or its subsidiaries receive payment of accounts receivable on or after January 1, 2026, in an amount equal to 15% percent of the aggregate amount of payments of accounts receivable actually received during such prior month, net of any cost of collection incurred not in the ordinary course of business. No Make-Whole Amount (as defined in the Credit Agreement) or Prepayment Premium is due or payable on any such mandatory prepayment as a result of receipt of accounts receivable on or after January 1, 2026. As of

June 30, 2025, Lynrock Lake has not elected the repayment option in the amount equal to 15% percent of the aggregate amount of payments of accounts receivable actually received on or after January 1, 2026.

Furthermore, in connection with the Lynrock Lake Term Loan, the Company issued to Lynrock Lake the Lynrock Lake Warrant, a warrant to purchase 61,000,000 shares of its common stock at an exercise price of \$0.40 per share. The Lynrock Lake Warrant is exercisable until February 26, 2035. Lynrock Lake may cashless exercise the Lynrock Lake Warrant. The Lynrock Lake Warrant is also subject to anti-dilution adjustments to the exercise price and the number of shares which may be purchased upon exercise of the Lynrock Lake Warrant in the event that the Company issues shares of common stock (or derivative securities) at a price that is either less than the \$0.40 exercise price or the fair market value of a share of common stock from the immediately prior trading day. The fair value of the Lynrock Warrant at issuance amounted to \$16,496,084.

Upon issuance of the Lynrock Lake Term Loan, the Company recorded a loss of \$6,640,384, including debt issuance costs of \$244,300, in other income (expense), net within the condensed consolidated statements of operations and comprehensive loss for the six months ended June 30, 2025.

As of June 30, 2025, the outstanding amount of the Lynrock Lake Term Loan was \$71,601, net of the unamortized debt discount of \$10,028,399, and accrued interest of \$350,229. Interest expense, including amortization of debt issuance costs, for the three months ended June 30, 2025 and 2024 was \$328,550 and \$0, respectively. Interest expense, including amortization of debt issuance costs, for the six months ended June 30, 2025 and 2024 was \$421,830 and \$0, respectively.

Future principal payments on the long-term debt as of June 30, 2025 are as follows:

Year ending December 31:	
2025 (remaining)	\$ 27,501
2026	9,197
2027	10,100,000
Total payments	10,136,698
Less: Unamortized debt issuance costs	(10,028,399)
Less: Current maturities of long-term debt	(36,698)
Long-term debt	<u>\$ 71,601</u>

8. 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 June 30, 2025 and December 31, 2024:

	June 30, 2025	December 31, 2024
Assets:		
Operating lease ROU assets, net	\$ 758,099	\$ 935,246
Liabilities:		
Operating lease liabilities, current	\$ 429,350	\$ 405,678
Operating lease liabilities	437,411	656,955
	<u>\$ 866,761</u>	<u>\$ 1,062,633</u>

The following table presents supplemental cash flow information related to the Company's operating leases:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2024	2023
Operating cash flows from operating leases	\$ 118,164	\$ 114,722	\$ 235,157	\$ 228,308

As of June 30, 2025, the maturity of operating lease liabilities was as follows:

Year ending December 31:	
2025 (remaining)	\$ 241,006
2026	490,449
2027	206,864
Total payments	938,319
Less: Interest	(71,558)
Present value of obligations	\$ 866,761

The operating lease expense for the three months ended June 30, 2025 and 2024 was \$113,970 and \$113,748, respectively, of which \$5,754 and \$5,532, respectively, were related to leases with a term of less than 12 months. The operating lease expense for the six months ended June 30, 2025 and 2024 was \$227,718 and \$227,283, respectively, of which \$11,286 and \$10,851, respectively, were related to leases with a term of less than 12 months.

As of June 30, 2025, the weighted-average remaining lease term was 1.9 years. The weighted-average discount rate was 8% for the three and six months ended June 30, 2025 and 2024. As of June 30, 2024, the weighted-average remaining lease term was 2.9 years and the weighted-average discount rate was 8%.

9. 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 condensed 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 condensed consolidated financial statements.

10. Stockholders' Deficit

Common Stock

The Company's common stock trades on the OTCQB Venture Market tier under the symbol "QTIH". Pursuant to the terms of the Amended and Restated Certificate of Incorporation, the Company is authorized and has available for issuance 500,000,000 shares of common stock. The holder of each share of common stock is entitled to one vote.

Common stock reserved for future issuance as of June 30, 2025 is as follows:

Common stock warrants	106,048,119
Merger earnout consideration shares	6,000,000
Options outstanding under the 2024 Incentive Plan	3,320,999
Options available under the 2024 Incentive Plan	375,505
Potential shares from convertible notes	259,052
	<u>116,003,675</u>

Preferred Stock

The Company is authorized to issue 10,000,000 shares of preferred stock, with a par value of \$0.0001, with such designations, voting and other rights and preferences as may be determined from time to time by the Board of Directors. As of June 30, 2025 and December 31, 2024, there were no shares of preferred stock issued and outstanding. The Board has the authority to issue shares of preferred stock from time to time on terms it may determine, to divide shares of preferred stock into one or more series and to fix the designations, preferences, privileges, and restrictions of preferred stock, including dividend rights, conversion rights, voting rights, terms of redemption, liquidation preference, sinking fund terms, and the number of shares constituting any series or the designation of any series to the fullest extent permitted by the Delaware General Corporation Law. The issuance of preferred stock could have the effect of decreasing the trading price of common stock, restricting dividends on the capital stock of the Company, diluting the voting power of the common stock, impairing the liquidation rights of the capital stock of the Company, or delaying or preventing a change in control of the Company.

Warrants (Public Warrants, Private Placement Warrants, Working Capital Note Warrants, PIPE Warrants, Lynrock Lake Warrant, and Yorkville Warrant)

The Public Warrants, Private Placement Warrants, and Working Capital Note Warrants (collectively, the “PubCo Warrants”) were originally issued with an exercise price of \$11.50 per share, and pursuant to the terms of the warrant agreement governing such warrants (the “Warrant Agreement”), the exercise price and number of warrant shares issuable on exercise of the warrants may be adjusted in certain circumstances including in the event of a stock dividend, extraordinary dividend or recapitalization, reorganization, merger or consolidation of the Company. In addition, if (x) the Company issues additional shares of common stock or equity-linked securities for capital raising purposes in connection with the closing of its initial Business Combination at an issue price or effective issue price of less than \$9.20 per share of common stock (with such issue price or effective issue price to be determined in good faith by the Company’s Board of Directors, and in the case of any such issuance to the Company’s Founder or its affiliates, without taking into account any Founder Shares held by it prior to such issuance), (y) the aggregate gross proceeds from such issuances represent more than 65% of the total equity proceeds, and interest thereon, available for the funding of the Company’s initial Business Combination on the date of the consummation of its initial Business Combination (net of redemptions), and (z) the volume weighted average trading price of the Company’s common stock during the 20 trading-day period starting on the trading day prior to the day on which the Company consummates its initial Business Combination (such price, the “Market Value”) is below \$9.20 per share, the exercise price of the warrants will be adjusted (to the nearest cent) to be equal to 115% of the greater of (i) the Market Value or (ii) the price at which the Company issues the additional shares of common stock or equity-linked securities.

Each warrant became exercisable 30 days after the completion of the Merger and expire five years after the completion of the Merger. If the Company is unable to deliver registered shares of common stock to the holder upon exercise of the warrants during the exercise period, there will be no net cash settlement of these warrants and the warrants will expire worthless, unless they may be exercised on a cashless basis in the circumstances described in the Warrant Agreement. Once the warrants become exercisable, the Company may redeem the outstanding warrants in whole and not in part at a price of \$0.01 per warrant upon a minimum of 30 days’ prior written notice of redemption, only in the event that the last sale price of the Company’s shares of common stock equals or exceeds \$18.00 per share for any 20 trading days within the 30-trading day period ending on the third trading day before the Company sends the notice of redemption to the warrant holders.

Under the terms of the Warrant Agreement, the Company has agreed to use its best efforts to file a new registration statement under the Securities Act of 1933, as amended (the “Securities Act”), following the completion of the Merger, for the registration of the shares of common stock issuable upon exercise of the warrants included in the public units issued in the Company’s initial public offering (the “Public Units”), the private placement units undertaken by the Company concurrently with its initial public offering (the “Private Placement Units”) and the private placement units that were issued upon conversion of working capital notes issued by the Company prior to the Merger, which conversion occurred concurrent with the Merger. The new registration statement was filed on April 1, 2024, and was declared effective by the SEC on May 22, 2024.

On May 13, 2024, the exercise price of the PubCo Warrants was reduced from \$11.50 to \$2.30 per warrant and the price per share related to the redemption events described above decreased from \$18.00 per share to \$3.60 per share in accordance with the terms of the Warrant Agreement as discussed above. As of June 30, 2025, there were 23,889,364 PubCo Warrants outstanding with an exercise price of \$2.30 per warrant and expiring on March 4, 2029. The PubCo Warrants are comprised of 23,000,000 of Public Warrants, 795,000 of Private Placement Warrants, and 94,364 of Working Capital Note Warrants, which were issued under the same Warrant Agreement described above.

On November 22, 2024, the Company completed a private placement (the “Private Placement”) with related parties, pursuant to the terms and conditions of a securities purchase agreement (the “Securities Purchase Agreement”). At the closing of the Private Placement, the Company issued warrants (the “PIPE Warrants”) to purchase up to 4,383,558 shares of common stock that are issuable upon its exercise. Each PIPE Warrant sold in the Private Placement is exercisable for one share of common stock at an exercise price of \$0.672 per share, and is exercisable beginning on May 22, 2025 and ending on May 22, 2030.

The Company entered into a Securities Purchase Agreement, dated April 9, 2025, by and between the Company, on the one hand, and Dr. Avi Katz, the Chairman of the Company’s Board of Directors, and Dr. Raluca Dinu, the Chief Executive Officer and a member of the Company’s Board of Directors, on the other hand (the “April 2025 Private Placement”). On April 24, 2025, at the closing of the April 2025 Private Placement, the Company issued (i) 784,929 shares of common stock (the “Shares”) at a per share purchase price of \$0.637, which represented 110% of the volume weighted trading price for the common stock on April 9, 2025 (the “Per Share Purchase Price”); and (ii) warrants with a term of ten years from the initial exercise date to purchase up to an additional 1,569,858 shares of common stock with a per share exercise price of \$0.72. The aggregate gross proceeds to the Company from the Private Placement was approximately \$500,000, before deducting the offering expenses payable by the Company, which expenses consisted solely of legal fees. The Company intends to use the net proceeds from the April 2025 Private Placement for working capital purposes.

On May 12, 2025, the Company entered into a Securities Purchase Agreement for another PIPE investment (the “May 2025 Private Placement”) in an amount of approximately \$200,000, pursuant to which the Company issued 205,339 shares of common stock plus a warrant to purchase 205,339 shares of common stock. The proceeds of this PIPE investment will be used for working capital purposes. The May 2025 Private Placement provides a per share purchase price of \$0.974, which represents 110% of the five-day volume weighted trading price for the common stock through May 9, 2025, and the per share exercise price of the warrant is \$1.12.

As of June 30, 2025, there were a total 6,158,755 PIPE Warrants outstanding.

In connection with the Lynrock Lake Term Loan, on February 26, 2025, the Company issued to Lynrock Lake, pursuant to the terms of the Lynrock Lake Warrant, a warrant to purchase 61,000,000 shares of common stock at an exercise price of \$0.40 per share. The Lynrock Lake Warrant is exercisable until February 26, 2035. Lynrock Lake may cashless exercise the Lynrock Lake Warrant. The Lynrock Lake Warrant is also subject to anti-dilution adjustments to the exercise price and the number of shares which may be purchased upon exercise of the Lynrock Lake Warrant in the event that the Company issues shares of common stock (or derivative securities) at a price that is either less than the \$0.40 exercise price or the fair market value of a share of common stock from the immediately prior trading day. On June 11, 2025, the Lynrock Lake Warrant was amended to update the provisions that would trigger cash settlement such that, when such events occur, the holders of the warrants receive the same form of consideration as the underlying stockholders. According to ASC 815-40, *Derivatives and Hedging: Contracts in an Entities Own Equity*, equity classification is permitted for an instrument that requires net-cash settlement if the holders of the contract’s underlying shares receive the same form of consideration in transactions outside the company’s control. Consequently, upon modification, the warrants were revalued and then reclassified to additional paid-in capital on the condensed consolidated balance sheet. The fair value of the Lynrock Lake Warrant on modification date was \$19,396,939. As of June 30, 2025, the Lynrock Lake Warrant to purchase 61,000,000 shares of common stock was outstanding.

On February 26, 2025, the Company issued to Yorkville a warrant to purchase 15,000,000 shares of its common stock at an exercise price of \$0.40 per share pursuant to the Yorkville Warrant. The Yorkville Warrant is exercisable until February 26, 2030. On June 11, 2025, the Yorkville Warrant was amended to update the provisions that would trigger cash settlement such that, when such events occur, the holders of the warrants receive the same form of consideration as the underlying stockholders. According to ASC 815-40, *Derivatives and Hedging: Contracts in an Entities Own Equity*, equity classification is permitted for an instrument that requires net-cash settlement if the holders of the contract’s underlying shares receive the same form of consideration in transactions outside the company’s control. Consequently, upon modification, the warrants were revalued and then reclassified to additional paid-in capital on the condensed consolidated balance sheet. The fair value of the Yorkville Warrant on modification date was \$3,589,189. As of June 30, 2025, the Yorkville Warrant to purchase 15,000,000 shares of common stock was outstanding.

11. Stock Incentive Plan

2024 Equity Incentive Plan

On January 1, 2025, an additional 1,338,411 shares of common stock were added to the 2024 Equity Incentive Plan.

The following table summarizes information regarding activity in the 2024 Equity Incentive Plan during the six months ended June 30, 2025:

	Number of Options	Weighted- Average Exercise Price	Weighted-Average Remaining Contractual Life (years)
Outstanding, January 1, 2025 (1)	1,955,000	\$ 0.75	9.5
Granted under the 2024 Incentive Plan	1,566,000	\$ 0.67	
Cancelled	(200,001)	\$ 0.75	
Outstanding, June 30, 2025	3,320,999	\$ 0.71	9.1
Exercisable as of June 30, 2025	1,002,070	\$ 0.73	8.3
Vested and expected to vest as of June 30, 2025	3,320,999	\$ 0.71	9.1

(1) The options outstanding as of December 31, 2024 were revised by 264,000 from the amount previously reported on the Annual Report on Form 10-K for the year ended December 31, 2024. The effect on stock-based compensation was immaterial.

Options to purchase 1,566,000 shares of common stock were granted during the three and six months ended June 30, 2025 at a weighted-average fair value of \$0.43 per share. No options were granted during the three and six months ended June 30, 2024.

The determination of the fair value of options granted during the three and six months ended June 30, 2025 is computed using the Black-Scholes option pricing model with the following weighted-average assumptions:

Stock price per share	\$ 0.67
Expected option term (years)	5.5
Expected volatility	71.2 %
Risk-free rate of return	4.0 %
Expected annual dividend yield	— %

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 employee options represents the weighted-average period the options are expected to remain outstanding and was derived using the simplified method for awards that qualify for its "plain-vanilla" options. All awards that are outstanding are qualified for "plain-vanilla" options. The risk-free interest rate is based on the U.S. Treasury interest rates whose term is 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 condensed consolidated statements of operations and comprehensive loss for the three and six months ended June 30, 2025 and 2024:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Research and development	\$ 11,553	\$ —	\$ 28,296	\$ 13,950
Selling, general and administrative	207,657	—	291,630	25,034
	\$ 219,210	\$ —	\$ 319,926	\$ 38,984

No stock-based compensation expense was capitalized to inventory for three and six months ended June 30, 2025 and 2024.

As of June 30, 2025, the total unrecognized compensation cost related to all nonvested stock options was \$930,043 and the weighted-average period over which it is expected to be recognized is 1.61 years.

12. Revenue Recognition

Revenue recognized during the three and six months ended June 30, 2025 and 2024 is disaggregated as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Product	\$ 3,626,417	\$ 1,658,681	\$ 6,386,735	\$ 2,964,801
Service	32,997	55,354	71,094	111,397
	<u>\$ 3,659,414</u>	<u>\$ 1,714,035</u>	<u>\$ 6,457,829</u>	<u>\$ 3,076,198</u>

Revenue recognized by geography during the three and six months ended June 30, 2025 and 2024 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
United States	\$ 3,649,057	\$ 1,700,130	\$ 6,436,083	\$ 3,058,325
International	10,357	13,905	21,746	17,873
	<u>\$ 3,659,414</u>	<u>\$ 1,714,035</u>	<u>\$ 6,457,829</u>	<u>\$ 3,076,198</u>

Substantially all of the revenue recognized by the Company during the three and six months ended June 30, 2025 and 2024 was recognized at a point in time. The Company had no contract assets as of June 30, 2025 and December 31, 2024. The Company had contract liabilities of \$34,286 as of June 30, 2025, all of which is expected to be recognized as revenue in the next 12 months. The Company had contract liabilities of \$49,365 as of December 31, 2024. Revenue recognized during the three and six months ended June 30, 2025 that was previously included in contract liabilities as of December 31, 2024 were \$10,357 and \$21,746, respectively.

13. Income Taxes

For the interim periods, the Company estimates its annual effective income tax rate and applies the estimated rate to the year-to-date income or loss before taxes. The Company also computes the tax provision or benefit related to items reported separately and recognizes the effect of changes in enacted tax laws or rates in the interim periods in which the changes occur.

The Company's effective tax rate is 0% for the three and six months ended June 30, 2025 and 2024. The Company expects that its effective tax rate for the full year 2024 will be 0%.

On July 4, 2025, the U.S. enacted H.R.1, "A bill to provide for reconciliation pursuant to Title II of H. Con. Res. 14," commonly referred to as the One Big Beautiful Bill Act (the "OBBBA"). The legislation, among other things, makes a favorable change to the business interest expense limitation and makes permanent 100% bonus depreciation for qualifying assets and immediate expensing for domestic research and experimentation expenses. The Company does not expect the OBBBA to have a material impact on its consolidated financial statements, including the income tax effects.

14. 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 \$14.59 per share or the offering price in a financing of at least \$5,000,000 in equity from unaffiliated parties. As of June 30, 2025, an aggregate of 259,052 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 connection with the issuance of the Lynrock Lake Term Loan, on February 26, 2025, the maturity date on these convertible notes payable was extended to October 21, 2027.

As of June 30, 2025 and December 31, 2024, the outstanding amount of the 2020 Notes was \$3,143,725 and accrued interest was \$635,815 and \$550,430, respectively. Interest expense for the three months ended June 30, 2025 and 2024, was \$42,929 and \$42,929, respectively. Interest expense for the six months ended June 30, 2025 and 2024, was \$85,386 and \$85,857, respectively.

Working Capital Loan

On May 3, 2023, the Company issued a promissory note (the “Working Capital Note”) to a stockholder 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 June 30, 2025 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 originally matured on the earlier of (i) the date on which the Company consummated 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. On March 4, 2024, the holder of 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 Yorkville Note received from Yorkville (see Note 7). In connection with the issuance of the Lynrock Lake Term Loan, on February 26, 2025, the maturity date on the Working Capital Note was extended to October 1, 2027.

Private Placement

On April 24, 2025, the Company completed the April 2025 Securities Purchase Agreement for net proceeds of \$500,000 in exchange for a total of 784,929 shares of the Company’s common stock and warrants to purchase 1,569,858 shares of common stock that are issuable upon exercise. See Note 10 - Stockholders’ Deficit.

15. Segment Information

The Company has one operating and reportable segment, which is engaged in the development and commercialization of the Company’s QT Breast Scanner. The Company’s Chief Executive Officer has been determined to be the chief operating decision maker (“CODM”) in accordance with the authoritative guidance on segment reporting. The CODM assesses performance, makes operating decisions and decides how to allocate resources based on net loss that is reported on the consolidated statements of operations and comprehensive loss. The measure of segment assets is reported on the condensed consolidated balance sheets as total consolidated assets.

The following table presents information about reported segment revenue, significant segment expenses, and segment net loss for the three and six months ended June 30, 2025 and 2024:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Revenue	\$ 3,659,414	\$ 1,714,035	\$ 6,457,829	\$ 3,076,198
Less:				
Cost of revenue ¹	1,832,337	839,484	2,818,890	1,441,567
Research and development ¹	900,694	925,082	1,752,946	1,567,628
Selling, general and administrative ¹	1,969,362	2,169,541	3,970,703	7,865,752
Other (expense) income, net	(9,498)	187,394	8,739,955	208,325
Change in fair value of warrant liability	2,796,350	(213,942)	3,501,079	(190,819)
Change in fair value of derivative liability	—	(1,729,700)	(101,300)	(4,712,800)

Change in fair value of earnout liability	(210,000)	(310,000)	(160,000)	(2,920,000)
Interest expense, net	378,902	1,095,050	1,070,289	1,694,009
Income tax expense	2,782	—	2,782	—
Consolidated net loss	<u>\$ (4,001,515)</u>	<u>\$ (1,248,874)</u>	<u>\$ (15,137,515)</u>	<u>\$ (1,877,464)</u>

¹Includes total salaries, bonuses, employee benefits and stock-based compensation of \$1,766,695 and \$1,366,003 for the three months ended June 30, 2025 and 2024, respectively. Total salaries, bonuses, employee benefits and stock-based compensation were \$3,388,845 and \$2,137,765 for the six months ended June 30, 2025 and 2024, respectively.

All of the Company's long-lived assets are located in the United States.

Refer to Note 12 - Revenue Recognition, for revenue by geography information.

16. Revised Financial Statements

As previously disclosed in its consolidated financial statements included in the Annual Report on Form 10-K filed for the year ended December 31, 2024, the Company has revised its condensed financial statements as of and for the six months ended June 30, 2024 to correct a misstatement identified related to the initial recognition of the earnout liability. The Company assessed the materiality of this misstatement in accordance with SEC Staff Accounting Bulletin No. 108 - "Qualifying Misstatements" and concluded this error was not qualitatively material. As such, the correction of the error for the affected periods is reflected prospectively in the Quarterly Reports on Form 10-Q for fiscal year 2025.

The effects of this revision on the applicable line items within the condensed consolidated financial statements were as follows:

Condensed Consolidated Balance Sheet Line Items Impacted	June 30, 2024 - As Filed	Adjustments	June 30, 2024 - As Revised
Additional paid-in capital	\$ 22,341,598	\$ (3,670,000)	\$ 18,671,598
Accumulated deficit	\$ (28,503,111)	\$ 3,670,000	\$ (24,833,111)

Other Condensed Consolidated Financial Statement Line Items	Six Months Ended June 30, 2024 - As Filed	Adjustments	Six Months Ended June 30, 2024 - As Revised
<i>Condensed Consolidated Statement of Operations and Comprehensive Loss</i>			
Change in fair value of earnout liability	\$ (750,000)	\$ 3,670,000	\$ 2,920,000
Net loss and comprehensive loss attributable to QT Imaging Holdings, Inc.	\$ (5,547,464)	\$ 3,670,000	\$ (1,877,464)
Net loss and comprehensive loss attributable to common stockholders	\$ (10,732,966)	\$ 3,670,000	\$ (7,062,966)
Net loss per share - basic and diluted	\$ (0.62)	\$ 0.21	\$ (0.41)
<i>Condensed Consolidated Statement of Cash Flows</i>			
Net loss	\$ (5,547,464)	\$ 3,670,000	\$ (1,877,464)
Change in fair value of earnout liability	\$ 750,000	\$ (3,670,000)	\$ (2,920,000)

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

Unless otherwise indicated or the context otherwise requires, references in this report (this "Quarterly Report") to "we," "our," "us," "QT Imaging", "QT Imaging Holdings" or the "Company" and other similar terms refer to QT Imaging Holdings, Inc. and its consolidated subsidiaries. The following discussion and analysis provides information which QT Imaging Holding's management believes is relevant to an assessment and understanding of consolidated results of operations and financial condition. You should read the following discussion and analysis of QT Imaging Holdings' financial condition and results of operations in conjunction with the unaudited condensed consolidated financial statements and notes thereto contained in this Quarterly Report.

Special Note Regarding Forward-Looking Statements

This Quarterly Report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act of 1934, as amended (the "Exchange Act"), that are not historical facts, and involve risks and uncertainties that could cause actual results to differ materially from those expected and projected. All statements, other than statements of historical fact included in this Quarterly Report including, without limitation, statements in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" regarding the Company's financial position, business strategy and the plans and objectives of management for future operations, and statements in "Unregistered Sales of Equity Securities and Use of Proceeds" regarding the intended use of proceeds from the Private Placement (as such term is defined below), are forward-looking statements and the expected date of closing of the Private Placement. Words such as "expect," "believe," "anticipate," "intend," "estimate," "seek," "may," "might," "plan," "possible," "potential," "should," "would" and similar words and expressions are intended to identify such forward-looking statements. Such forward-looking statements relate to future events or future performance, but reflect management's current beliefs, based on information currently available. A number of factors could cause actual events, performance or results to differ materially from the events, performance and results discussed in the forward-looking statements. For information identifying important factors that could cause actual results to differ materially from those anticipated in the forward-looking statements, please refer to the "Risk Factors" section in Part II, Item 1A. of this Quarterly Report, the "Risk Factors" section in our Annual Report on Form 10-K for the fiscal year ended December 31, 2024 filed with the SEC on March 31, 2025 (our "Annual Report") and in any more recent filings with the SEC. The Company's securities filings can be accessed on the EDGAR section of the SEC's website at www.sec.gov. Except as expressly required by applicable securities law, the Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

Overview

We are a medical device company founded in 2012 and 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, and treatment of disease and that it should be safe, affordable, and accessible. Our goal is to improve global health outcomes through the development and commercialization of imaging devices that address critical healthcare challenges with accuracy and precision.

With the support of nearly \$18 million in financial support from the U.S. National Institutes of Health, we developed a novel, comprehensive body imaging technology that has high resolution, high sensitivity, high specificity, high positive and negative predictive values, and is safe and inexpensive. The technology is based on ultra-low frequency transmitted sound and uses a one-of-a-kind novel sound back-scatter design and inverse-scattering reconstruction to create its images.

Our current QT Breast Scanner is a Class II device subject to premarket notification and clearance under Section 510(k) of the Federal Food, Drug, and Cosmetic Act ("FDCA"). On August 23, 2016, we (formerly, QT Ultrasound LLC) submitted a Section 510(K) Summary of Safety and Effectiveness application for the QT Breast Scanner in accordance with 21 CFR 807.92 under 510(K) Number K162372. As part of meeting the general requirements for basic safety and essential performance of the QT Breast Scanner (formerly, QT Ultrasound Breast Scanner) pursuant to AAMI ES60601-1:2005/(R)2012 and A1:2012 Medical electrical equipment, testing was conducted by Intertek, an independent testing laboratory, located in Menlo Park, CA. Intertek also conducted applicable testing pursuant to IEC 60601-1-6 Edition 3.1 2013-10-Medical electrical equipment Part 1-6 General requirements for safety - Collateral Standard: Usability. In addition, we conducted, and Intertek witnessed, all applicable testing pertaining to the requirements for the safety of ultrasonic medical diagnostic and monitoring equipment and to demonstrate compliance with the "Acoustic Output Measurement Standard for Diagnostic Ultrasound Equipment". This test on acoustic output was pursuant to IEC 60601-2-37 Edition 2.0.2007 Medical electrical equipment - Part 2-37: Particular requirements for the basic safety and essential performance of ultrasonic medical diagnostic and monitoring equipment. Finally, system verification testing was conducted to ensure that the QT Breast Scanner met all design and other requirements including but not limited to that no

new issues of safety or effectiveness compared to the predicate device, SoftVue System manufactured by Delphinus Medical Technologies, were raised.

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. On June 6, 2017, the Food and Drug Administration (the “FDA”), in response to QT Imaging’s Section 510(K) Summary of Safety and Effectiveness premarket notification, determined that the QT Breast Scanner is substantially equivalent to the predicate device. Our use of the words “safe”, “safety”, “effectiveness”, and “efficacy” in relation to the QT Breast Scanner in this Management's Discussion and Analysis and all other documents related to us is limited to the context of the Section 510(K) Summary of Safety and Effectiveness that was reviewed and responded to by the FDA.

Our strategies for commercializing the QT Breast Scanner include the following:

- Create disruptive technological innovation (software, artificial intelligence, and smart physics) to improve medical imaging and thus health care quality and access.
- Continue to improve our high quality, high resolution, native 3D, reproducible image quality regardless of operator or breast size/tissue type breast imaging technology, as well as the techniques for quantifiable analysis, comparison, and training.
- Partner with strategic business and distribution channels to address the U.S. market for breast imaging immediately and, other regions in the future, to place the QT Breast Scanner in hospitals, radiology centers, etc. and generate awareness of the benefits of our technology.
- Perform manufacturing internally to us and partner strategically for large scale manufacturing.
- Expand the market by supporting additional Direct-to-Customer and Direct-to-Patient approaches to enable the ability to lower health care costs and increase access via personal medical imaging.
- Provide a new social and economic opportunity for consumers to take control of some aspects of their own health care—such as imaging for minor injuries or medical conditions without needing a healthcare “gate-keeper.”
- Focus our intellectual capabilities and ethical framework to become unified in our mission to improve the quality and lower the cost of health care world-wide . . . “It’s about time.”

Consistent with our strategy, on May 31, 2023, we entered into a Sales Agent Agreement (the “NXC Sales Agent Agreement”) with NXC Imaging, Inc. (“NXC”) pursuant to which we 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. Additionally, NXC was appointed as the exclusive servicer of QT Imaging products sold by NXC under the terms of the NXC Sales Agent Agreement. Effective June 10, 2024, the NXC Sales Agent Agreement was superseded by the NXC Distribution Agreement that was entered into with NXC on June 18, 2024. Under the NXC Distribution Agreement, NXC is appointed as the exclusive reseller to market, advertise, and resell QT Breast Scanners in the U.S. and U.S. territories. NXC will purchase for the purpose of reselling, leasing or renting QT Breast Scanners directly to its customers, but is not obligated to purchase any particular quantity of QT Breast Scanners from us. We have reserved the right to sell directly to customers as an exception. Furthermore, we may, in our sole discretion, sell the QT Breast Scanners to any other person or entity anywhere in the world without notice to NXC or NXC’s prior consent. NXC is also allowed to assign sales agents for the purpose of QT Breast Scanner sales. NXC’s purchases will be in accordance with an agreed upon product pricing schedule (subject to change upon 60 days’ prior written notice by us), provided that neither NXC nor its assigned sales agents may mark-up the cost of the QT Breast Scanners more than twenty percent (20%) unless otherwise mutually agreed to between NXC and us. Each order will include information reasonably requested by us and is subject to our acceptance, after which it becomes an approved order. Any such approved orders are non-cancellable and not subject to rescheduling after acceptance by us. Any orders not accepted by us in writing are deemed rejected. On December 11, 2024, we and NXC entered into the Amended Distribution Agreement, which amends and restates the NXC Distribution Agreement in its entirety, making some modifications to the NXC Distribution Agreement but retaining other terms. We further amended the Amended Distribution Agreement on March 28, 2025. The Amended Distribution Agreement has a term that runs until December 31, 2026, unless earlier terminated or extended by mutual written agreement. As of June 30, 2025, we have delivered twenty-two QT Breast Scanners to NXC and NXC’s customers pursuant to the NXC Sales Agent Agreement and NXC Distribution Agreement.

On March 28, 2025, we entered into the Canon Manufacturing Agreement (the “Canon Manufacturing Agreement”) with Canon Medical Systems, Inc. (“CMSC”). Pursuant to the terms of the Canon Manufacturing Agreement, we appointed CMSC as the exclusive manufacturer of the QT Breast Scanners to be distributed by NXC. QTI retains the right to perform manufacturing in Novato, California. The purchase prices applicable to the purchase orders as of the date of the Canon Manufacturing Agreement shall be separately agreed between the parties in writing. The term of the Canon Manufacturing Agreement is through December 31, 2026.

We have incurred net operating losses and negative cash flows from operations since our inception and had an accumulated deficit of \$47,078,042 as of June 30, 2025. During the six months ended June 30, 2025, we incurred a net loss of \$15,137,515 and used \$4,978,822 of cash in operating activities. We 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, annual and quarterly reports to stockholders, 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 January 9, 2025, we and YA II PN, LTD (“Yorkville”) entered into the Third Omnibus Amendment (the “Third Amendment”), pursuant to which, we and Yorkville agreed that for \$1.5 million of the then current outstanding balance due under the \$10.0 million promissory note issued to Yorkville (the “Yorkville Note”) (principal and unpaid accrued interest), the Fixed Price for conversion shall be modified to \$0.584 per share, and for the remainder of the balance, the Fixed Price shall not be changed but shall remain \$4.61395 per share as provided for in the Yorkville Note when we issued it on March 4, 2024. Further, the Third Amendment removed our obligation to make monthly payments to Yorkville, previously owing due to the occurrence of the Trigger Event (as defined in the Third Amendment), such that no further monthly payments will be owed during the period beginning on the date of the Third Amendment and ending on the maturity date of the Yorkville Note of March 31, 2026. In exchange for this relief, the aggregate purchase price owed to us from the first Advance (the “Advanced Proceeds”) that occurs pursuant to the terms of the Standby Equity Purchase Agreement (the “SEPA”) shall be paid by Yorkville offsetting the amount of the Advance Proceeds against an equal amount outstanding under the Yorkville Note (first towards accrued and unpaid interest, and then towards outstanding principal and the corresponding payment premium in respect of such principal amount, if applicable), and that for any subsequent Advances pursuant to the terms of the SEPA, Yorkville shall pay half of such Advance Proceeds directly to us and the other half of such Advance Proceeds shall be paid by Yorkville offsetting the amount of the Advance Proceeds against an equal amount outstanding under the Yorkville Note (first towards accrued and unpaid interest, and then towards outstanding principal and the corresponding payment premium in respect of such principal amount, if applicable). On January 9, 2025, we delivered our first Advance Notice under the SEPA for the sale of 885,000 shares of common stock. This resulted in the reduction of an additional \$182,682 in principal of the Yorkville Note.

On January 9, 2025, we also entered into an amendment (the “Cable Car Amendment”) with Funicular Funds, LP (“Cable Car”) to amend certain terms of the secured note purchase agreement with Cable Car (the “Cable Car Note”), including a reduction of the conversion price for the Cable Car Note to \$0.584 per share. Further, the Cable Car Amendment provides that the maturity date for the Cable Car Note shall be extended to March 31, 2026, in consideration for which, we shall pay a fee of \$90,000 to Cable Car for the extension (the “Extension Fee”), with such fee being added to the amount due and payable on such maturity date, unless the Cable Car Note is earlier converted pursuant to its terms, in which event the Extension Fee shall also be converted. No interest shall accrue or be due on the Extension Fee. Pursuant to the Cable Car Amendment, interest shall accrue on the outstanding principal balance of the Cable Car Note at an annual rate equal to 6%, with interest being calculated based on a 365-day year and the actual number of days elapsed, to the extent permitted by applicable law. Interest shall be due and payable on the maturity date for the Cable Car Note, unless the Cable Car Note is earlier converted pursuant to its terms, in which event such accrued and unpaid interest shall also be converted.

On February 26, 2025, we entered into a credit agreement (the “Credit Agreement”) that provides a senior secured term loan (the “Lynrock Lake Term Loan”) with Lynrock Lake. The Credit Agreement is secured by a first priority lien on substantially all our assets and provides for a term loan in the aggregate principal amount of \$10,100,000 at an interest rate of 10.0% per annum, compounded quarterly. The maturity date of the Credit Agreement is March 31, 2027. Furthermore, in connection with the Lynrock Lake Term Loan, we issued to Lynrock Lake, pursuant to the terms of a Warrant to Purchase Common Stock (the “Lynrock Lake Warrant”), a warrant to purchase 61,000,000 shares of its common stock at an exercise price of \$0.40 per share. The Lynrock Lake Warrant is exercisable until February 26, 2035. Lynrock Lake may cashless exercise the Lynrock Lake Warrant. The Lynrock Lake Warrant is also subject to anti-dilution adjustments to the exercise price and the number of shares which may be purchased upon exercise of the Lynrock Lake Warrant in the event that we issue shares of common stock (or derivative securities) at a price that is either less than the \$0.40 exercise price or the fair market value of a share of common stock from the immediately prior trading day.

On February 26, 2025, we used a portion of the proceeds of the Lynrock Lake Term Loan to pay Yorkville an amount equal to \$3,000,000 in cash and issued to Yorkville a warrant to purchase 15,000,000 shares of its common stock at an exercise price of \$0.40 per share pursuant to a Warrant to Purchase Common Stock (the “Yorkville Warrant”) to fully settle and discharge our obligations under the Yorkville Note and extinguish the Yorkville Note as having been fully performed. The Yorkville Warrant is exercisable until February 26, 2030. Yorkville may cashless exercise the Yorkville Warrant. The Yorkville Warrant is also subject to adjustments in the event that our common stock undergoes a split, reverse-split or similar event. Furthermore, the Yorkville Warrant has provided the holder with piggyback registration rights. We and Yorkville also entered into that certain Termination Agreement, dated February 26, 2025 (the “Termination Agreement”), pursuant to which the parties acknowledged the termination of the SEPA effective February 26, 2025.

On February 26, 2025, we used a portion of the proceeds of the Lynrock Lake Term Loan to pay Cable Car an amount equal to the full principal, interest and fees amount of approximately \$1,625,000 in cash to fully settle and discharge our obligations under the Cable Car Note and extinguish the Cable Car Note as having been fully performed.

On April 9, 2025, we and certain related parties entered into a Securities Purchase Agreement for the issuance of shares of common stock plus warrants for the purchase of common stock with an aggregate purchase price of \$500,000 in exchange for 784,929 shares of common stock at an issuance price of \$0.637 per share and warrants to purchase 1,569,858 shares of common stock with an exercise price of \$0.72 per share.

On May 12, 2025, we and a third-party investor entered into a Securities Purchase Agreement for the issuance of shares of common stock plus warrants for the purchase of common stock with an aggregate purchase price of \$200,000 in exchange for 205,339 shares of common stock and warrants to purchase 205,339 shares of common stock with an exercise price of \$1.12 per share.

Components of Our Results of Operations

Revenue

Revenue consists of revenue from the sale of our products including the QT Breast Scanner, associated SW, 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.

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. 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 distribution arrangements, and our ability to establish new licensing or collaboration arrangements outside of U.S.;
- 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, increased support for existing and new distribution partner relationships, and the use of outside service providers such as insurers, consultants, lawyers, and accountants. 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 three months ended June 30, 2025 and 2024

	Three Months Ended June 30,		Change	
	2025	2024	\$	%
Revenue	\$ 3,659,414	\$ 1,714,035	\$ 1,945,379	113 %
Cost of revenue	1,832,337	839,484	992,853	118 %
Gross profit	1,827,077	874,551	952,526	109 %
Operating expenses:				
Research and development	900,694	925,082	(24,388)	(3)%
Selling, general and administrative	1,969,362	2,169,541	(200,179)	(9)%
Total operating expenses	2,870,056	3,094,623	(224,567)	(7)%
Loss from operations	(1,042,979)	(2,220,072)	1,177,093	53 %
Other income (expense), net	9,498	(187,394)	196,892	105 %
Change in fair value of warrant liability	(2,796,350)	213,942	(3,010,292)	N.M.
Change in fair value of derivative liability	—	1,729,700	(1,729,700)	(100)%
Change in fair value of earnout liability	210,000	310,000	(100,000)	(32)%
Interest expense, net	(378,902)	(1,095,050)	716,148	65 %
Loss before income tax expense	(3,998,733)	(1,248,874)	(2,749,859)	(220)%
Income tax expense	2,782	—	2,782	100 %
Net loss and comprehensive loss	\$ (4,001,515)	\$ (1,248,874)	\$ (2,752,641)	(220)%

N.M. - Not meaningful

Revenue

Revenue increased by \$1,945,379 to \$3,659,414 for the three months ended June 30, 2025 from \$1,714,035 for the three months ended June 30, 2024. The increase in revenue was primarily attributable to the sale of eight QT Breast Scanners in the second quarter of 2025 as compared with four scanners sold in the second quarter of 2024 due to the minimum order quantities (“MOQs”) in accordance with the amended NXC Distribution Agreement, which was executed during the fourth quarter of 2024.

Cost of Revenue

Cost of revenue increased by \$992,853 to \$1,832,337 for the three months ended June 30, 2025 from \$839,484 for the three months ended June 30, 2024. The increase in cost of revenue was primarily attributable to the sale of eight QT Breast Scanners in the second quarter of 2025 as compared with four scanners sold in the second quarter of 2024. Gross margin slightly declined in the three months ended June 30, 2025, as compared to the same period in 2024, due to variability in the weighted average costs of inventory.

Operating Expenses

Research and Development Expenses

Research and development expenses decreased by \$24,388 to \$900,694 for the three months ended June 30, 2025 from \$925,082 for the three months ended June 30, 2024. The decrease in research and development expenses was primarily attributable to a decrease in patents amortization expense of \$43,669.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by \$200,179 to \$1,969,362 for the three months ended June 30, 2025 from \$2,169,541 for the three months ended June 30, 2024. This change was primarily attributable to decreases in professional and outside services costs of \$198,188 and insurance cost of \$145,857 and an increase in allocation expenses of \$420,310 from selling, general and administrative expenses to cost of revenue, which was partially offset by increases in employee compensation cost of \$400,290, and general business expenses of \$146,088.

Other income (expense), net

Other income (expense), net increased by \$196,892 to income of \$9,498 for the three months ended June 30, 2025 from an expense of \$187,394 for the three months ended June 30, 2024. This increase was primarily due to a modification adjustment of \$200,513 related to the decrease in exercise price of our private placement warrants and working capital note warrants during the three months ended June 2024.

Change in fair value of warrant liability

Change in fair value of warrant liability decreased by \$3,010,292 to an expense of \$2,796,350 during the three months ended June 30, 2025 from income of \$213,942 during the three months ended June 30, 2024. The change in fair value of warrants during the second quarter of 2025 was primarily attributable to increases in the market value of the Lynrock Lake Warrant and Yorkville Warrant, which were issued in the first quarter of 2025 and subsequently revalued on June 11, 2025 upon modification.

Change in fair value of derivative liability

Change in the fair value of derivative liability decreased by \$1,729,700 to \$0 during the three months ended June 30, 2025 from \$1,729,700 during the three months ended June 30, 2024. The change in fair value of derivatives during the first quarter of 2024 was primarily driven by the decline in the value of our common stock. The derivative liability was extinguished on February 26, 2025 as a result of the Termination Agreement with Yorkville.

Change in fair value of earnout liability

Change in the fair value of earnout liability decreased by \$100,000 to \$210,000 during the three months ended June 30, 2025 from \$310,000 during the three months ended June 30, 2024. The change in fair value of earnout liability during the second quarter of 2024 and 2025 was primarily driven by the changes to the probability of outcome related to a formal FDA clearance for a new indication for the use of our breast scanning systems and our open angle scanner and our revenue assumptions.

Interest expense, net

Interest expense, net decreased by \$716,148 to \$378,902 for the three months ended June 30, 2025 from \$1,095,050 for the three months ended June 30, 2024. This change is primarily driven by decreases in interest expense and amortization of the debt discount of \$953,436 for the Yorkville Note, which was extinguished in February 2025, partially offset by the interest expense and amortization of debt discount of \$328,550 for the Lynrock Lake Term Loan.

Comparison of the six months ended June 30, 2025 and 2024

	For Six Months Ended June 30,		Change	
	2025	2024	\$	%
Revenue	\$ 6,457,829	\$ 3,076,198	\$ 3,381,631	110 %
Cost of revenue	2,818,890	1,441,567	1,377,323	96 %
Gross profit	3,638,939	1,634,631	2,004,308	123 %
Operating expenses:				
Research and development	1,752,946	1,567,628	185,318	12 %
Selling, general and administrative	3,970,703	7,865,752	(3,895,049)	(50)%
Total operating expenses	5,723,649	9,433,380	(3,709,731)	(39)%
Loss from operations	(2,084,710)	(7,798,749)	5,714,039	73 %
Other expense, net	(8,739,955)	(208,325)	(8,531,630)	N.M.
Change in fair value of warrant liability	(3,501,079)	190,819	(3,691,898)	N.M.
Change in fair value of derivative liability	101,300	4,712,800	(4,611,500)	(98)%
Change in fair value of earnout liability	160,000	2,920,000	(2,760,000)	(95)%
Interest expense, net	(1,070,289)	(1,694,009)	623,720	37 %
Loss before income tax expense	(15,134,733)	(1,877,464)	13,257,269	706 %
Income tax expense	2,782	—	2,782	100 %
Net loss and comprehensive loss	\$ (15,137,515)	\$ (1,877,464)	\$ (13,260,051)	(706)%

N.M. - Not meaningful

Revenue

Revenue increased by \$3,381,631 to \$6,457,829 for the six months ended June 30, 2025 from \$3,076,198 for the six months ended June 30, 2024. The increase in revenue was primarily attributable to the sale of fourteen QT Breast Scanners in the first six months of 2025 as compared with seven scanners sold in the first six months of 2024 due to the MOQs in accordance with the amended NXC Distribution Agreement, which was executed during the fourth quarter of 2024.

Cost of Revenue

Cost of revenue increased by \$1,377,323 to \$2,818,890 for the six months ended June 30, 2025 from \$1,441,567 for the six months ended June 30, 2024. The increase in cost of revenue was primarily attributable to the sale of fourteen QT Breast Scanners in the first six months of 2025 as compared with seven scanners sold in the first six months of 2024. Gross margin increased in the six months ended June 30, 2025, as compared to the same period in 2024, due to variability in the weighted average costs of inventory.

Operating Expenses
Research and Development Expenses

Research and development expenses increased by \$185,318 to \$1,752,946 for the six months ended June 30, 2025 from \$1,567,628 for the six months ended June 30, 2024. The increase in research and development expenses was primarily attributable to employee compensation cost of \$236,432, which was partially offset by decrease in patents amortization cost of \$90,139.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by \$3,895,049 to \$3,970,703 for the six months ended June 30, 2025 from \$7,865,752 for the six months ended June 30, 2024. This change was primarily attributable to a decrease in professional and outside services costs of \$4,443,084, primarily due to the transaction expenses of \$3,944,924 in the 2024 period, and an increase in the allocation of \$669,896 from selling, general and administrative expenses to cost of revenue, partially offset by increases in employee compensation costs of \$1,014,649.

Other expense, net

Other expense, net increased by \$8,531,630 to \$8,739,955 for the six months ended June 30, 2025 from \$208,325 for the six months ended June 30, 2024. This increase was primarily due to the extinguishment loss of \$2,033,666 for the Yorkville Note and Cable Car Note, \$6,640,384 of non-cash expense incurred at issuance of the Lynrock Lake Term Loan, and \$90,000 from the Extension Fee for the Cable Car Note during the six months ended June 2025, which was partially offset by the modification expense of \$200,513 related to the decrease in exercise price of our private placement warrants and working capital note warrants during the six months ended June 2024.

Change in fair value of warrant liability

Change in fair value of warrant liability decreased by \$3,691,898 to an expense of \$3,501,079 during the six months ended June 30, 2025 from income of \$190,819 during the six months ended June 30, 2024. The change in fair value of warrants during the second quarter of 2025 was primarily attributable to increases in the market value of the Lynrock Lake Warrant and Yorkville Warrant, which were issued in the first quarter of 2025 and subsequently revalued on June 11, 2025 upon modification.

Change in fair value of derivative liability

Change in the fair value of derivative liability decreased by \$4,611,500 to \$101,300 during the six months ended June 30, 2025 from \$4,712,800 during the six months ended June 30, 2024. The change in fair value of derivatives during the first six months in 2024 was primarily driven by the decline in the value of our common stock. The derivative liability was extinguished during the three months ended March 31, 2025 as a result of the Termination Agreement with Yorkville.

Change in fair value of earnout liability

Change in the fair value of earnout liability decreased by \$2,760,000 to \$160,000 during the six months ended June 30, 2025 from \$2,920,000 during the six months ended June 30, 2024. The change in fair value of earnout liability during the first six months of 2024 and 2025 was primarily driven by the decline in the value of our common stock and changes to the probability of outcome related to a formal FDA clearance for a new indication for the use of our breast scanning systems and our open angle scanner and our revenue assumptions.

Interest expense, net

Interest expense, net decreased by \$623,720 to \$1,070,289 for the six months ended June 30, 2025 from \$1,694,009 for the six months ended June 30, 2024. This change is primarily driven by decreases in interest expense and amortization of the debt discount of \$658,341 for the Yorkville Note, \$221,857 for the private secured convertible bridge financing closed in November 2023 (the "Bridge Loan"), \$52,498 for the convertible promissory note agreement with USCG (the "Convertible Notes Payable") issued in June 2021, \$89,354 for the Cable Car loan, which was partially offset by an increase in interest expense and amortization of the debt discount of \$421,830 for the Lynrock Lake Term Loan.

Liquidity and Capital Resources

Sources of Liquidity

Liquidity describes our ability to meet financial obligations which arise during the normal course of business. To date, we have financed our operations primarily through the sale of equity securities, issuances of convertible notes and other debt, and grants from the U.S. government. We expect to derive future liquidity primarily through our revenues with customers and sale of equity securities. Our current liquidity position consists of cash on hand and certificates of deposit.

Since our inception, we have incurred significant operating losses and negative cash flows. As of June 30, 2025 and December 31, 2024, we had an accumulated deficit of \$47,078,042 and \$31,940,527, respectively. As of June 30, 2025 and December 31, 2024, we had cash and restricted cash and cash equivalents of \$2,042,180 and \$1,192,104, 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.

We and NXC entered into Amended Distribution Agreement, as amended on March 28, 2025, which provides us with MOQs that could result in cash inflows of up to \$18.0 million in 2025 and \$27.0 million in 2026. Our Canon Manufacturing Agreement with CMSC provides us the ability to scale manufacturing with favorable payment terms of net

90 days to support the delivery of MOQs under the Amended Distribution Agreement. On February 26, 2025, we entered into the Credit Agreement that provides the Lynrock Lake Term Loan with Lynrock Lake for a term loan in the aggregate principal amount of \$10.1 million and repaid the secured Cable Car Note, and fully settled its obligations under the Yorkville Note and terminated the Yorkville SEPA by paying \$3.0 million in cash and issuing a 5-year warrant for 15 million shares. Net of these payments, we had \$5.4 million of net proceeds for working capital purposes. On April 24, 2025, we received an additional \$500,000 from related persons in exchange for the issuance of shares of common stock plus warrants for the purchase of common stock in another Private Investment in Public Entity (“PIPE”) for working capital purposes. On May 12, 2025, we entered into a subscription agreement for another PIPE investment in an amount of approximately \$200,000 that closed on May 12, 2025, pursuant to which we will issue shares of common stock plus warrants for the purchase of common stock. The proceeds of this PIPE investment will be used for working capital purposes. We believe that the cash received for the Lynrock Lake Term Loan and from the related persons in the April 2025 and May 2025 PIPE investments, and the additional revenue anticipated from MOQs per the Amended Distribution Agreement will be sufficient to fund our current operating plan for at least the next 12 months.

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 the Company, 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.

Lynrock Lake Term Loan

On February 26, 2025, we entered into the Credit Agreement that provides the Lynrock Lake Term Loan with Lynrock Lake. The Credit Agreement is secured by a first priority lien on substantially all of our assets and provides for a term loan in the aggregate principal amount of \$10,100,000 at an interest rate of 10.0% per annum, compounded quarterly. The maturity date of the Credit Agreement is March 31, 2027. The Lynrock Lake Term Loan shall be repaid on the maturity date in an amount equal to the aggregate principal amount outstanding, together with all accrued and unpaid principal and any outstanding and payable fees.

Subject to the payment of the Make-Whole Amount (as defined in the Credit Agreement), we may at any time prior to the maturity date optionally prepay the term loan, in full or in part, upon irrevocable written notice of three business days prior to the proposed prepayment; provided that if such prepayment is to be funded with the proceeds of a refinancing or disposition, such notice of prepayment may be revoked if the financing or disposition is not consummated; provided further, that any such prepayment made in connection with, or in anticipation of, a Change of Control (as defined in the Credit Agreement) will also be subject to a prepayment premium equal to 20% of the amount of principal being prepaid (the “Prepayment Premium”). Partial prepayments of the term loan shall be in an aggregate principal amount of \$250,000 or a whole multiple thereof.

Subject to the payment of the Make-Whole Amount (as defined in the Credit Agreement), at the option of Lynrock Lake, we will make mandatory repayments of the term loan upon the following occurrences:

- If on any date we or any of our subsidiaries will receive any cash proceeds from any Extraordinary Receipt (as defined in the Credit Agreement) in an amount equal to or exceeding \$250,000 in the aggregate, we shall prepay the term loan within five business days of receipt of such cash proceeds, in an amount equal to 100% percent of the cash proceeds of such Extraordinary Receipt;
- If any indebtedness will be incurred by us or any subsidiary thereof (excluding any indebtedness that the Credit Agreement permits us to incur), an amount equal to 100% of the net cash proceeds thereof shall be applied on the date of incurrence or receipt toward the prepayment of the term loan;
- If on any date we or any of our subsidiaries will receive net cash proceeds in an amount equal to or exceeding (i) \$250,000 in any single transaction or series of related transactions or (ii) \$250,000 in the aggregate for all

transactions during the term of the Credit Agreement from any Asset Sale (as defined in the Credit Agreement) or Recovery Event (as defined in the Credit Agreement) then we or our subsidiary shall prepay the term loan, on or prior to the date which is five business days after the date of the realization or receipt by us or our subsidiary in an amount equal to 100% percent of such proceeds; and

- Subject to the payment of the Prepayment Premium in addition to the Make-Whole Amount (as defined in the Credit Agreement), in the event that a Change of Control (as defined in the Credit Agreement) will occur, we shall prepay all of the outstanding term loan, on or prior to the date which is two business days after the date of such Change of Control (as defined in the Credit Agreement).

There are no requirements to make any prepayment in the event that we sell any of our capital stock. In addition, at the option of Lynrock Lake, we shall also make mandatory repayments of the term loan on a monthly basis, no later than five business days after the end of each month (provided that such date for payment is prior to the maturity date), if we or our subsidiaries receive payment of accounts receivable on or after January 1, 2026, in an amount equal to 15% percent of the aggregate amount of payments of accounts receivable actually received during such prior month, net of any cost of collection incurred not in the ordinary course of business. No Make-Whole Amount (as defined in the Credit Agreement) or Prepayment Premium is due or payable on any such mandatory prepayment as a result of receipt of accounts receivable on or after January 1, 2026. As of June 30, 2025, Lynrock Lake has not elected the repayment option in the amount equal to 15% percent of the aggregate amount of payments of accounts receivable actually received on or after January 1, 2026.

Furthermore, in connection with the Lynrock Lake Term Loan, we issued to Lynrock Lake, pursuant to the terms of a Warrant to Purchase common stock, the Lynrock Lake Warrant to purchase 61,000,000 shares of common stock at an exercise price of \$0.40 per share. The Lynrock Lake Warrant is exercisable until February 26, 2035. Lynrock Lake may cashless exercise the Lynrock Lake Warrant. The Lynrock Lake Warrant is also subject to anti-dilution adjustments to the exercise price and the number of shares which may be purchased upon exercise of the Lynrock Lake Warrant in the event that we issue shares of common stock (or derivative securities) at a price that is either less than the \$0.40 exercise price or the fair market value of a share of common stock from the immediately prior trading day. The fair value of the Lynrock Warrant at issuance amounted to \$16,496,084.

Upon issuance of the Lynrock Lake Term Loan, we recorded a loss of \$6,640,384, including debt issuance costs of \$244,300, in other income (expense), net within the condensed consolidated statements of operations and comprehensive loss for the three and six months ended June 30, 2025.

As of June 30, 2025, the outstanding amount of the Lynrock Lake Term Loan was \$71,601 net of the unamortized debt discount of \$10,028,399, and accrued interest of \$350,229.

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 common stock at the lower of \$14.59 per share or the offering price in a financing of at least \$5,000,000 in equity from unaffiliated parties. As of June 30, 2025, an aggregate of 259,052 shares of common stock would be issued if the entire principal and interest under the 2020 Notes was converted. In connection with the issuance of the Lynrock Lake Term Loan, on February 26, 2025, the maturity date on the these convertible notes was extended to October 21, 2027.

As of June 30, 2025 and December 31, 2024, the outstanding amount of the 2020 Notes was \$3,143,725 and accrued interest of \$635,815 and \$550,430, respectively.

Related Party Working Capital Loan

On May 3, 2023, we issued a promissory note (the “Working Capital Note”) to a stockholder 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 us 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 originally matured on the earlier of (i) the date on which we consummated the Business Combination with GigCapital5, Inc.; (ii) the date we wind up; or (iii) December 31, 2023. On March 4, 2024, the 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 Working Capital Note cannot be repaid prior to the repayment or conversion of the Yorkville Note issued to Yorkville. In connection with the issuance of the Lynrock Lake Term Loan, on February 26, 2025, the maturity date on the Working Capital Note was extended to October 1, 2027. As of June 30, 2025 and December 31, 2024, the outstanding balance of the Working Capital Note was \$705,000.

Cash Flows

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

	Six Months Ended June 30,	
	2025	2024
Net cash used in operating activities	\$ (4,978,822)	\$ (6,955,081)
Net cash used in investing activities	(46,818)	(26,977)
Net cash provided by financing activities	5,875,716	11,398,512
Net increase in cash and restricted cash and cash equivalents	<u>\$ 850,076</u>	<u>\$ 4,416,454</u>

Net Cash Used In Operating Activities

Net cash used in operating activities was \$4,978,822 for the six months ended June 30, 2025 as compared to \$6,955,081 for the six months ended June 30, 2024. The primary use of our cash was to fund research and development and general and administrative expenses. Net cash used for the six months ended June 30, 2025 consisted of a net loss of \$15,137,515, adjusted for non-cash expenses primarily including depreciation and amortization of \$75,924, stock-based compensation of \$319,926, loss on issuance of the Lynrock Lake Term Loan of \$6,640,384, debt extinguishment loss of \$2,033,666, debt modification expense of \$90,000, non-cash interest of \$547,820, non-cash operating lease income of \$18,725, increase in fair value of warrant liability of \$3,501,079, decrease in fair value of derivative liability of \$101,300, decrease in fair value of earnout liability of \$160,000, and the net change in operating assets and liabilities of \$2,770,081. The net change in operating assets and liabilities was primarily due an increase in accounts receivable of \$3,584,191, an increase in prepaid expenses and other current assets of \$1,226,752, and an increase in inventory of \$90,379, partially offset primarily by an increase in accrued expenses and other current liabilities of \$938,963, an increase in accounts payable of \$771,743, and an increase in other liabilities of \$435,614.

Net cash used for the six months ended June 30, 2024 consisted of a net loss of \$1,877,464, adjusted for non-cash expenses including depreciation and amortization of \$184,775, stock-based compensation of \$38,984, warrant modification expense of \$200,513, fair value of common stock issued in exchange for services and in connection with non-redemption agreements of \$3,718,349, issuance of common stock in connection with a stock subscription agreement of \$206,000, non-cash interest of \$1,200,670, non-cash operating lease expense of \$11,876, decrease in fair value of warrant liability of \$190,819, decrease in fair value of derivative liability of \$4,712,800, decrease in fair value of earnout liability of \$2,920,000, and the net change in operating assets and liabilities of \$2,792,703. The net change in operating assets and liabilities was primarily due an increase accounts receivable of \$669,138, an increase in prepaid expenses and other current assets of \$553,691, a decrease in accounts payable of \$2,280,535, a decrease in other liabilities of \$377,772, and a decrease in deferred revenue of \$315,873, partially offset by a decrease in inventory of \$1,352,734, and an increase in accrued expenses and other liabilities of \$51,572.

Net Cash Used In Investing Activities

Net cash used in investing activities was \$46,818 for the six months ended June 30, 2025 as compared to \$26,977 for the six months ended June 30, 2024. The use of net cash used in investing activities for both periods was related to the purchase of property and equipment.

Net Cash Provided By Financing Activities

During the six months ended June 30, 2025, net cash provided by financing activities was \$5,875,716, primarily due to \$10,000,000 of net proceeds received from issuance of long-term debt related to the Lynrock Lake Term Loan and proceeds from the sale of common stock and warrants of \$700,000, partially offset by the repayment of long-term debt of

\$4,674,284 related to the Yorkville Note, Cable Car Note, and the loans from US Bank (the “PPP Loans”) and payment of deferred issuance cost of \$150,000.

During the six months ended June 30, 2024, net cash provided by financing activities was \$11,398,512, primarily due to \$10,525,000 of net proceeds received from issuance of long-term debt related to the Yorkville Pre-Paid Advance and the Cable Car Note, net proceeds of \$1,238,530 received from the business combination of QT Imaging and GigCapital5 (the “Merger”), and cash proceeds of \$500,000 received from issuance of common stock pursuant to a subscription agreement, partially offset by repayment of the Bridge Loan of \$800,000, and repayments against the PPP Loans of \$65,018.

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 Amended Distribution Agreement, pursuant to which QT Imaging appointed NXC as the exclusive agent for the sale of the QT Breast Scanner in the U.S. and U.S. territories. 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:

- Having the cash to repay our debt obligations as they come due;
- Expand our current manufacturing operations and expand existing and build new partnerships with contract manufacturing third-party vendors;
- Purchase inventory for our planned shipments;
- Expand or enhance our distribution with third-party distribution channels outside of the U.S.;
- The progress and results of our trials and interpretation of those results by the FDA (and other regulatory authorities, as required);
- Seek regulatory clearances for product candidates and expanded regulatory clearance for the QT Breast Scanner;
- 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;

- 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, the ownership interest of our stockholders may be materially diluted, and the terms of such securities could include liquidation or other preferences that adversely affect the rights of our stockholders. 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 entitled “*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 condensed consolidated financial statements.

Emerging Growth Company

We are an emerging growth company (“EGC”), as defined in the Jumpstart Our Business Startups Act of 2012 (“JOBS Act”). 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

See Part II, Item 7 "Critical Accounting and Estimates" in our Annual Report on Form 10-K for the year ended December 31, 2024.

Recent Accounting Pronouncements

Recent Accounting Pronouncements Not Yet Adopted

See Note 1 to the unaudited condensed consolidated financial statements for a discussion of recently adopted accounting standards.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Item 4. Controls and Procedures

Disclosure Controls and Procedures

The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, refers to controls and other procedures that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Evaluation of Disclosure Controls and Procedures

As required by Rules 13a-15 and 15d-15 under the Exchange Act, our Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of our disclosure controls and procedures as of June 30, 2025. Based on their evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective.

Material Weaknesses Identified

In connection with the audit of the consolidated financial statements as of and for the fiscal year ended December 31, 2024, we identified a misstatement in the condensed consolidated financial statements for the three-month period ended March 31, 2024, six-month period ended June 30, 2024 and nine-month period ended September 30, 2024 as a result of the material weakness related to technical accounting previously identified for the quarter ended March 31, 2024. We have made significant progress in our remediation efforts during the year ended December 31, 2024 and the quarter ended March 31, 2025, which included implementing technology, hiring personnel, and other activities, including engaging external resources and, as a result, have remediated the material weakness related to technical accounting as of March 31, 2025.

Changes in Internal Control Over Financial Reporting

During the three months ended June 30, 2025, the Company implemented internal controls for the review of technical accounting analyses prepared by third-party technical accounting experts related to significant and non-standard transactions. There were no other changes in our internal control over financial reporting that occurred in the three months ended June 30, 2025 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

The effectiveness of any system of internal control over financial reporting, including ours, is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, in designing and evaluating the disclosure controls and procedures, management recognizes that any system of internal control over financial reporting, including ours, no matter how well designed and operated, can only provide reasonable, not absolute assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints, and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business but cannot assure you that such improvements will be sufficient to provide us with effective internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

We are not currently subject to any material legal proceedings, nor, to our knowledge, is any material legal proceeding threatened against us or any of our officers or directors in their corporate capacity.

Item 1A. Risk Factors

As of the date of this Quarterly Report on Form 10-Q, we supplement the risk factors disclosed in our Annual Report for the fiscal year ending December 31, 2024 (the “Annual Report”) with the following risk factors. Any of these risk factors disclosed in our Annual Report or herein could result in a significant or material adverse effect on our results of operations or financial condition. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations. We may disclose changes to such risk factors or disclose additional risk factors from time to time in our future filings with the SEC.

The forward-looking statements contained in this Quarterly Report are based on our current expectations and beliefs concerning future developments and their potential effects on us. Future developments affecting us may not be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to, the following risks, uncertainties and other factors:

- our being a development-stage company with limited operating history and significant losses;
- our ability to successfully execute our business model, including market acceptance of our planned products and product candidates at acceptable prices;
- our ability to have our products accepted by hospitals, clinics and medical professionals, including radiologists, and to have a sufficient number of radiologists who are trained and can review the images generated by the QT Breast Scanner;
- the ability to repay our debt cash obligations as they come due;
- the occurrence of a pandemic, epidemic, or outbreak of infectious disease that may materially or adversely affect our business, financials, and product development;
- our ability to raise additional capital;
- the effect of the Company’s debt agreements on its flexibility in operating the business;
- our ability to sustain revenue growth or profitability;
- our plan to do business globally is subject to additional risks and uncertainties;
- the success of key supplier or distribution agreements;
- the effects of tariffs or other restrictions related to “trade wars”;
- the risk of incurring uninsured losses;
- the ability to maintain the confidentiality and integrity of the Company’s data and other sensitive information;
- the ability of the business to respond to changes in general economic conditions;
- the occurrence of technological changes;
- our success in recruiting and retaining key employees;
- the ability to manage growth effectively;
- our ability to compete and adapt in our industry;
- the outcome of any legal proceedings that may be instituted against our business and other litigation and regulatory risks;
- the ability to obtain additional clearances and approvals from the FDA for current and future products;
- the effect of unanticipated changes in effective tax rates on operations and financials;
- the ability to adequately protect the Company’s intellectual property rights;
- the impact of the terms and conditions of licenses and sublicenses granted by third-parties;
- our management team’s limited experience managing a public company;
- our officers and directors allocating their time to other businesses and potentially having conflicts of interest with our business;
- the effect of the issuance of additional shares of common stock on our stock price;
- future sales, or perception of future sales, of common stock on our stock price;
- our governing documents’ effect on stock price and stockholders’ ability to gain favorable judicial forums;
- the effect of the Company’s warrants on the market price of the common stock;
- our ability to enforce covenants not to compete;
- the uncertainty of industry data, projections and estimates;

- the effect of write-downs and write-offs that the Company may be required to take;
- the ability to maintain internal controls over financial reports; and
- the other risks and uncertainties discussed in “Risk Factors” and elsewhere in this Quarterly Report.

Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

We are a development-stage company with limited operating history and significant losses since inception which may make it difficult to evaluate prospects for our future viability and predict our future performance. We may never be able to effectuate our business plan or achieve any meaningful revenue or reach profitability.

We have a limited operating history and only a preliminary and unproven business plan upon which investors may evaluate our prospects. We have not yet demonstrated the commercial viability at scale of our breast imaging technology platform. QT Scanner 2000 Model A, (the “QT Breast Scanner”) is deployed at facilities in the United States and abroad, but we have not demonstrated scale of deployment and manufacturing necessary to achieve commercial viability despite having clearance from the FDA for breast imaging with the QT Breast Scanner. Even if we are able to do so, we may not be able to manufacture the QT Breast Scanner device at the costs needed to support our business model. Even if we are able to commercialize some of our products or product candidates, there can be no assurance that we will generate significant revenues or ever achieve profitability. We expect to continue to incur significant sales and marketing, research and development, regulatory and other expenses as we expand our marketing efforts to increase adoption of our products, expand existing relationships, obtain regulatory approvals for our product candidates, conduct clinical studies on our existing and planned product candidates and develop new product candidates or add new features to our existing products. There is no assurance that our distribution partners will succeed in selling and servicing devices in sufficient volumes to help the company meet its business plan, revenue objectives or profitability.

Furthermore, even if our technology and product become commercially viable and deployed at scale, we may not generate sufficient revenue necessary to support our business. We may never successfully stimulate market interest in our QT Breast Scanner in the near-to-mid-term at any level or at all, which may cause our business to fail. The medical imaging industry is also highly competitive, and our technology, products, services or business models may not achieve widespread market acceptance. If we are unable to address any issues mentioned above, or encounter other problems, expenses, difficulties, complications, and delays in connection with the starting and expansion of our business, our entire business may fail, in which case you may lose your entire investment.

We have a history of net losses and negative cash flow from operations since inception and we expect such losses and negative cash flows from operations to continue in the foreseeable future. As of June 30, 2025 and December 31, 2024, we had working capital of \$4.4 million and a working capital deficit of \$4.9 million, respectively, and an accumulated deficit of approximately \$47.1 million and \$31.9 million, respectively. For the three months ended June 30, 2025 and 2024, we incurred net losses of approximately \$4.0 million and \$1.2 million, respectively. For the six months ended June 30, 2025 and 2024, we incurred net losses of approximately \$15.1 million and \$1.9 million, respectively. For the six months ended June 30, 2025 and 2024, we used cash in operations of \$5.0 million and \$7.0 million, respectively. We anticipate our losses will continue to increase from current levels because we expect to incur additional costs related to developing our business, including research and development costs, manufacturing costs, employee-related costs, costs of complying with government regulations, intellectual property development and prosecution costs, marketing and promotion costs, capital expenditures, general and administrative expenses, and costs associated with operating as a public company.

Our ability to generate revenue from our operations and ultimately achieve profitability will depend on factors including but not limited to whether we can complete the development and commercialization of our QT Breast Scanner breast imaging technology and our future products, whether we can manufacture the QT Breast Scanner and future products on a commercial scale in such amounts and at such costs as we anticipate, and whether we can achieve market acceptance of our products, services and business models. The net losses that we incur may fluctuate significantly from period to period. As a result of these increased expenditures, we will need to generate significant additional revenue in order to offset our operating expenses and achieve and sustain profitability. Accordingly, we may not achieve or maintain profitability, and we may continue to incur significant losses in the future. Even if we achieve profitability, we cannot be sure that we will remain profitable for any substantial period of time. If we do not achieve or sustain profitability, it will be more difficult for us to finance our business and accomplish our strategic objectives, either of which would have a material adverse effect on our business, financial condition, results of operations and prospects and may cause the market price of the common stock to decline.

Future sales, or the perception of future sales, of common stock by us or our existing stockholders in the public market could cause the market price for our common stock to decline.

The sale of substantial amounts of shares of common stock in the public market, or the perception that such sales could occur, could harm the prevailing market price of shares of our common stock. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

All shares issued as merger consideration in the Business Combination are freely tradable without registration under the Securities Act of 1933, as amended (the "Securities Act") and without restriction by persons other than our "affiliates" (as defined under Rule 144), including our directors, executive officers and other affiliates, and certain other former QT Imaging stockholders.

The Company has registered in a resale registration statement on Form S-1 declared effective by the SEC on May 22, 2024, securities held by certain stockholders of the Company which have the right, subject to certain conditions, to require us to register the sale of their shares of common stock under the Securities Act, pursuant to the terms of a registration statement that we entered into with GigAcquisitions5 and certain other securityholders of GigCapital5 and QT Imaging (the "GigCapital5 Registration Rights Agreement"). The Company has also registered in a resale registration statement on Form S-1 declared effective by the SEC on February 5, 2025, the securities sold in the Private Placement as the purchaser received the right, subject to certain conditions, to require us to register the sale of their shares of common stock under the Securities Act, pursuant to the terms of a registration statement that we entered into ("PIPE Registration Rights Agreement"). The sale of a large number of shares by these stockholders could cause the prevailing market price of shares of common stock to decline. Significant sales of shares of common stock may have negative pressure on the public trading price of our common stock.

The shares already registered for resale currently represent over 50% of the total number of shares outstanding, based on the number of shares of common stock outstanding as of August 6, 2025. Even though the current trading price is significantly below the Company's initial public offering price, based on the closing price of the common stock on August 6, 2025, certain of our stockholders may have an incentive to sell their shares because they will still profit on sales due to the lower prices at which they purchased their shares as compared to the public investors. For example, members of our founding stockholder, GigAcquisitions5, who received a distribution of shares from GigAcquisitions5 for which there is an effective resale registration statement, have a cost basis in up to 5,735,000 shares of common stock that were acquired at an effective purchase price of \$0.0043592 per share, and, therefore, based on the closing price of the common stock on August 6, 2025, could earn an aggregate profit of approximately \$9,839,200 from the resale of such shares.

To the extent that the selling securityholders under any of our registration statements on Form S-1 sell their shares or are perceived by the market as intending to sell them, the market price of shares of common stock could drop significantly. These factors could also make it more difficult for us to raise additional funds through future offerings of shares of common stock or other securities.

As of June 30, 2025, the Company had 23,889,364 warrants outstanding that were exercisable for cash at an exercise price of \$2.30 per share, and an additional 4,383,558 warrants outstanding that became exercisable for cash on May 22, 2025 with an exercise price of \$0.672 per share. On February 26, 2025, the Company issued a warrant to purchase 61,000,000 shares of common stock to Lynrock Lake and a warrant to purchase 15,000,000 shares of common stock to YA II PN, Ltd. which are exercisable on a "cashless basis" with an exercise price of \$0.40 per share as part of the \$10.1 million term loan received from Lynrock Lake and cancellation of debt with YA II PN, Ltd. The exercise of any of these warrants would result in the issuance of shares which could then be sold. On April 24, 2025, the Company issued warrants in a private placement with a term of ten years from the initial exercise date to purchase up to an additional 1,569,858 shares of common stock with a per share exercise price of \$0.72 that become exercisable on October 24, 2025. On May 12, 2025, the Company issued warrants in a private placement with a term of five years from the initial exercise date to purchase up to 205,339 shares of common stock with a per share exercise price of \$1.12 that become exercisable on November 12, 2025.

In addition, the shares of common stock that will be issued upon exercise of stock options already granted pursuant to the terms of, or those shares of common stock reserved for future issuance under the 2024 Equity Incentive Plan will become eligible for sale in the public market once those shares are issued, subject to provisions relating to various vesting agreements and, in some cases, limitations on volume and manner of sale applicable to affiliates under Rule 144, as applicable. We have filed a registration statement on Form S-8 under the Securities Act to register shares of common stock or securities convertible into or exchangeable for shares of common stock issued pursuant to our equity incentive plans, and may in the future file additional registration statements on Form S-8. Any such Form S-8 registration statements will

automatically become effective upon filing. Accordingly, shares registered under such registration statements will be available for sale in the open market.

Certain of the Company's warrants are accounted for as a warrant liability and were recorded at fair value upon issuance with changes in fair value each period reported in earnings, which may have an adverse effect on the market price of the common stock.

As of June 30, 2025, 889,364 private warrants were outstanding. These warrants became exercisable 30 days after completion of the Business Combination and are exercisable now that we have an effective registration statement under the Securities Act covering the shares of common stock of the Company issuable upon exercise for so long as a current prospectus relating to them is available and such shares are registered, qualified or exempt from registration under the securities, or blue sky, laws of the state of residence of the holder (or the Company permits holders to exercise their warrants on a cashless basis under certain circumstances). Furthermore, the Company may redeem outstanding warrants in certain circumstances; provided, however, that these warrants will not be redeemable by the Company so long as they are held by the initial purchasers or any of its permitted transferees, to which the initial purchaser transferred the private warrants in June 2024. Under GAAP, the Company is required to evaluate contingent exercise provisions of these warrants and then their settlement provisions to determine whether they should be accounted for as a warrant liability or as equity. Any settlement amount not equal to the difference between the fair value of a fixed number of the Company's equity shares and a fixed monetary amount precludes these warrants from being considered indexed to its own stock, and therefore, from being accounted for as equity. As a result of the provision that these warrants, when held by someone other than the initial purchasers or their permitted transferees, will be redeemable by the Company, the requirements for accounting for these warrants as equity are not satisfied. Therefore, the Company is required to account for these warrants as a warrant liability and record (a) that liability at fair value, and (b) any subsequent changes in fair value as of the end of each period for which earnings are reported. The impact of changes in fair value on earnings may have an adverse effect on the market price of our common stock.

On February 26, 2025, the Company issued to Lynrock Lake, pursuant to the terms of the Lynrock Lake Warrant, a warrant to purchase 61,000,000 shares of common stock at an exercise price of \$0.40 per share. The Lynrock Lake Warrant is exercisable until February 26, 2035. Lynrock Lake may cashless exercise the Lynrock Lake Warrant. The Lynrock Lake Warrant is also subject to anti-dilution adjustments to the exercise price and the number of shares which may be purchased upon exercise of the Lynrock Lake Warrant in the event that the Company issues shares of common stock (or derivative securities) at a price that is either less than the \$0.40 exercise price or the fair market value of a share of common stock from the immediately prior trading day. As of June 30, 2025, the Lynrock Lake Warrant to purchase 61,000,000 shares of common stock was outstanding. On February 26, 2025, the Company issued to Yorkville a warrant to purchase 15,000,000 shares of its common stock at an exercise price of \$0.40 per share pursuant to the Yorkville Warrant. The Yorkville Warrant is exercisable until February 26, 2030. As of June 30, 2025, the Yorkville Warrant to purchase 15,000,000 shares of common stock was outstanding. Both the Lynrock Lake Warrant and Yorkville Warrant were initially classified as a warrant liability. On June 11, 2025, the Lynrock Lake Warrant was amended to update the provisions that would trigger cash settlement such that, when such events occur, the holders of the warrants receive the same form of consideration as the underlying stockholders. According to ASC 815-40, *Derivatives and Hedging: Contracts in an Entities Own Equity*, equity classification is permitted for an instrument that requires net-cash settlement if the holders of the contract's underlying shares receive the same form of consideration in transactions outside the company's control. Consequently, upon modification, the warrants were revalued and then reclassified to additional paid-in capital on the condensed consolidated balance sheets.

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

Please refer to the Current Report on Form 8-K that the Company filed with the SEC on April 10, 2025 for information regarding a private placement that occurred in April 2025 and the Quarterly Report on Form 10-Q that the Company filed with the SEC on May 13, 2025 for information regarding a private placement that occurred in May 2025.

Item 3. Defaults Upon Senior Securities

Not Applicable.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
3.1*	Second Amended and Restated Certificate of Incorporation of QT Imaging Holdings, Inc. (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed with the SEC on March 8, 2024)
3.2*	Amended and Restated Bylaws of QT Imaging Holdings, Inc. (incorporated by reference to Exhibit 3.2 to Current Report on Form 8-K filed with the SEC on March 8, 2024)
4.1*	Warrant Agreement between Continental Stock Transfer & Trust Company and the Company (incorporated by reference to Exhibit 4.1 to GigCapital5's Current Report on Form 8-K filed with the SEC on September 28, 2021)
4.2*	Warrant to Purchase Common Stock, dated February 26, 2025, by and between QT Imaging Holdings, Inc. and Lynrock Lake Master Fund, LP (incorporated by reference to Exhibit 4.1 to QT Imaging Holdings' Current Report on Form 8-K filed with the SEC on February 28, 2025)
4.3*	Warrant to Purchase Common Stock, dated February 26, 2025, by and between QT Imaging Holdings, Inc. and YA II PN, Ltd. (incorporated by reference to Exhibit 4.2 to QT Imaging Holdings' Current Report on Form 8-K filed with the SEC on February 28, 2025)
4.4*	Amended and Restated Warrant to Purchase Common Stock, dated June 11, 2025, by and between QT Imaging Holdings, Inc. and Lynrock Lake Master Fund, LP (incorporated by reference to Exhibit 4.1 to QT Imaging Holdings' Current Report on Form 8-K filed with the SEC on June 12, 2025)
4.5*	Amended and Restated Warrant to Purchase Common Stock, dated June 11, 2025, by and between QT Imaging Holdings, Inc. and YA II PN, Ltd. (incorporated by reference to Exhibit 4.2 to QT Imaging Holdings' Current Report on Form 8-K filed with the SEC on June 12, 2025)
10.1*	Third Omnibus Amendment, dated January 9, 2025, by and between QT Imaging Holdings, Inc. and YA II PN, LTD (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed with the SEC on January 10, 2025)
10.2*	Omnibus Amendment, dated January 9, 2025, by and between QT Imaging Holdings, Inc. and Funicular Funds, LP (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K filed with the SEC on January 10, 2025)
10.3*	Sublease, dated as of January 23, 2025, by and among QT Imaging Holdings, Inc. and QT Imaging Center (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed with the SEC on January 24, 2025)
10.4*	Credit Agreement, dated February 26, 2025, by and between QT Imaging Holdings, Inc. and Lynrock Lake Master Fund, LP (incorporated by reference to Exhibit 10.1 to QT Imaging Holdings' Current Report on Form 8-K filed with the SEC on February 28, 2025)
10.5*	Termination Agreement, dated February 26, 2025, by and between QT Imaging Holdings, Inc. and YA II PN, Ltd. (incorporated by reference to Exhibit 10.2 to QT Imaging Holdings' Current Report on Form 8-K filed with the SEC on February 28, 2025)
10.6*†	Manufacturing Agreement, dated March 28, 2025, by and between QT Imaging Holdings, Inc. and Canon Medical Systems Corporation (incorporated by reference to Exhibit 10.46 to QT Imaging Holdings' Annual Report on Form 10-K filed with the SEC on March 31, 2025)
10.7*†	Amendment No. 1 to Amended and Restated Distribution Agreement, dated March 28, 2025, by and between QT Imaging Holdings, Inc. and NXC Imaging, Inc. (incorporated by reference to Exhibit 10.47 to QT Imaging Holdings' Annual Report on Form 10-K filed with the SEC on March 31, 2025)
10.8*†	Securities Purchase Agreement, dated April 9, 2025, by and between QT Imaging Holdings, Inc. and certain purchasers (incorporated by reference to Exhibit 10.1 to QT Imaging Holdings' Current Report on Form 8-K filed with the SEC on April 10, 2025)
10.9*	Registration Rights Agreement, dated April 9, 2025, by and between QT Imaging Holdings, Inc. and certain purchasers (incorporated by reference to Exhibit 10.2 to QT Imaging Holdings' Current Report on Form 8-K filed with the SEC on April 10, 2025)
10.10*†	Securities Purchase Agreement, dated May 12, 2025, by and between QT Imaging Holdings, Inc. and certain purchasers (incorporated by reference to Exhibit 10.10 to QT Imaging Holdings' Quarterly Report on Form 10-Q filed with the SEC on May 13, 2025)
10.11*	Registration Rights Agreement, dated May 12, 2025, by and between QT Imaging Holdings, Inc. and certain purchasers (incorporated by reference to Exhibit 10.11 to QT Imaging Holdings' Quarterly Report on Form 10-Q filed with the SEC on May 13, 2025)

Exhibit No.	Description
31.1	Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (as formatted as Inline XBRL and contained in Exhibit 101)

* Previously filed and incorporated herein by reference.

** The certifications attached as Exhibit 32.1 and Exhibit 32.2 that accompany this Quarterly Report on Form 10-Q are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

† Certain portions of this exhibit have been omitted in accordance with Regulation S-K Item 601(b)(10)(iv) because such portions are not material and are the type of information that the Company treats as private or confidential. The Company agrees to furnish supplementally an unredacted copy of the exhibit, or any section thereof, to the SEC upon request.

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 thereunto duly authorized.

Dated: August 7, 2025

QT IMAGING HOLDINGS, INC.

/s/ Dr. Raluca Dinu

Name: Dr. Raluca Dinu

Title: Chief Executive Officer

Dated: August 7, 2025

/s/ Anastas Budagov

Name: Anastas Budagov

Title: Chief Financial Officer

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

Pursuant to Rule 13a-14(a) and Rule 15d-14(a) under the
Securities Exchange Act of 1934
(Section 302 of the Sarbanes-Oxley Act of 2002)

I, Dr. Raluca Dinu, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2025 of QT Imaging Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the ineffectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: August 7, 2025

By: /s/ Dr. Raluca Dinu
Dr. Raluca Dinu
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

Pursuant to Rule 13a-14(a) and Rule 15d-14(a) under the
Securities Exchange Act of 1934
(Section 302 of the Sarbanes-Oxley Act of 2002)

I, Anastas Budagov, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2025 of QT Imaging Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the ineffectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: August 7, 2025

By: /s/ Anastas Budagov
Anastas Budagov
Chief Financial Officer
(Principal Financial and Accounting Officer)

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

Pursuant to 18 U.S.C. 1350

(Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Quarterly Report on Form 10-Q of QT Imaging Holdings, Inc. (the “Company”) for the quarter ended June 30, 2025, as filed with the Securities and Exchange Commission (the “Report”), I, Raluca Dinu, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: August 7, 2025

By: /s/ Dr. Raluca Dinu

Dr. Raluca Dinu

Chief Executive Officer, President and Secretary
(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

Pursuant to 18 U.S.C. 1350

(Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Quarterly Report on Form 10-Q of QT Imaging Holdings, Inc. (the “Company”) for the quarter ended June 30, 2025, as filed with the Securities and Exchange Commission (the “Report”), I, Anastas Budagov, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: August 7, 2025

By: /s/ Anastas Budagov

Anastas Budagov

Chief Financial Officer

(Principal Financial and Accounting Officer)