REFINITIV

DELTA REPORT

10-Q

CALIDI BIOTHERAPEUTICS, I

10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	142
CHANGES	0
DELETIONS	30
ADDITIONS	112

REFINITIV

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CLDI:SettlementAgreementMember
2024-03-08
2024-03-08
0001855485
CLDI:ConvertiblePromissoryNotePurchaseAgreementMember
2024-03-08
2024-03-08
0001855485
CLDI:ConvertiblePromissoryNotePurchaseAgreementMember
CLDI:NonAffiliatedPurchaserMember
2024-03-08
2024-03-08
0001855485
CLDI:ConvertiblePromissoryNotePurchaseAgreementMember

2024-03-08
0001855485
CLDI:SettlementAgreementMember
2024-03-31
0001855485
us-gaap:SubsequentEventMember
CLDI:ConvertibleNoteAgreementMember
2024-04-14
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us-gaap:SubsequentEventMember
CLDI:SettlementAgreementMember
2024-04-19
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us-gaap:PreferredStockMember
2023-09-19
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us-gaap:PreferredStockMember
2024-03-31
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CLDI:VotingCommonStockMember
2024-03-31
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us-gaap:NonvotingCommonStockMember
2024-03-31
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CLDI:TermNoteAgreementMember
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2024-03-31
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CLDI:TermNoteAgreementMember
2023-01-01
2023-03-31
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CLDI:PublicWarrantsMember
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2023-09-12
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CLDI:PublicWarrantsMember
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2023-09-12
2023-09-12
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CLDI:RedemptionOfWarrantsMember
CLDI:SharePriceEqualOrLessTenPointZeroRupeesPerDollarMember
2023-09-11
2023-09-12
0001855485
CLDI:RedemptionOfWarrantsMember
CLDI:SharePriceEqualOrExceedsEighteenRupeesPerDollarMember
2023-09-12
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us-gaap:WarrantMember
CLDI:PublicWarrantsMember
2024-03-31
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CLDI:PrivatePlacementWarrantsMember
2023-09-12
2023-09-12
0001855485
CLDI:PrivatePlacementWarrantsMember

2023-09-12
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us-gaap:WarrantMember
CLDI:PrivateWarrantsMember
2024-03-31
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us-gaap:RestrictedStockMember
CLDI:SettlementAgreementMember
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CLDI:WarrantsToPurchaseRestrictedSharesMember
us-gaap:WarrantMember
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us-gaap:WarrantMember
2024-03-31
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CLDI:CommonStockOptionsIssuedAndOutstandingMember
2024-03-31
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CLDI:RestrictedStockUnitsVestedAndUnreleasedMember
2024-03-31
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CLDI:TwoThousandTwentyThreeEquityIncentivePlanMember
2024-03-31
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CLDI:TwoThousandTwentyThreeEmployeeStockPurchasePlanMember
2024-03-31
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us-gaap:WarrantMember
2023-12-31
0001855485
us-gaap:WarrantMember
2023-01-01
2023-12-31
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us-gaap:WarrantMember
2024-01-01
2024-03-31
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CLDI:TwoThousandNinteenPlanMember
CLDI:AdministratorMember
2022-05-31
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CLDI:TwoThousandNinteenPlanMember
CLDI:AdministratorMember
2022-05-31
2022-05-31
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CLDI:TwoThousandTwentyThreePlanMember
CLDI:AdministratorMember
2022-05-31
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CLDI:TwoThousandTwentyThreePlanMember
CLDI:AdministratorMember
2023-09-12
2023-09-12
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CLDI:EmployeeStockPurchasePlanMember
2023-08-28
2023-08-28

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us-gaap:EmployeeStockOptionMember
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2023-01-18
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us-gaap:EmployeeStockOptionMember
2023-01-18
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CLDI:TwoThousandNineteenPlanAndTwoThousandTwentyThreePlanMember
us-gaap:EmployeeStockOptionMember
2023-12-31
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CLDI:TwoThousandNineteenPlanAndTwoThousandTwentyThreePlanMember
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2023-01-01
2023-12-31
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CLDI:TwoThousandNineteenPlanAndTwoThousandTwentyThreePlanMember
us-gaap:EmployeeStockOptionMember
2024-01-01
2024-03-31
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CLDI:TwoThousandNineteenPlanAndTwoThousandTwentyThreePlanMember
us-gaap:EmployeeStockOptionMember
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us-gaap:RestrictedStockUnitsRSUMember
CLDI:TwoThousandNineteenPlanAndTwoThousandTwentyThreePlanMember
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us-gaap:RestrictedStockUnitsRSUMember
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us-gaap:RestrictedStockUnitsRSUMember
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2023-03-31
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us-gaap:GeneralAndAdministrativeExpenseMember
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2024-03-31
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us-gaap:GeneralAndAdministrativeExpenseMember
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2023-03-31
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CLDI:SanDiegoLeaseAgreementMember
2022-10-10

0001855485
CLDI:SanDiegoLeaseAgreementMember
srt:MaximumMember
2022-10-10
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2022-10-10
2022-10-10
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2023-03-01
2023-03-01
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CLDI:SanDiegoLeaseAgreementMember
2022-10-10
2022-10-10
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CLDI:StemVacOfficeLeaseAgreementMember
2022-04-01
2022-04-01
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CLDI:StemVacOfficeLeaseAgreementMember
2024-01-01
2024-03-31
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CLDI:StemVacOfficeLeaseAgreementMember
2023-01-01
2023-03-31
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us-gaap:EmployeeStockOptionMember
CLDI:TerminatedPhysicianAgreementMember
2022-03-14
2022-03-14
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CLDI:TerminatedPhysicianAgreementMember
us-gaap:CommonStockMember
2022-12-06
0001855485
CLDI:TerminatedPhysicianAgreementMember
us-gaap:CommonStockMember
2022-12-06
2022-12-06
0001855485
CLDI:TerminatedPhysicianAgreementMember
2022-01-01
2022-12-31
0001855485
CLDI:TerminatedPhysicianAgreementMember
us-gaap:CommonStockMember
2022-01-01
2022-12-31
0001855485
2022-01-01
2022-12-31
0001855485
CLDI:TerminatedPhysicianAgreementMember
us-gaap:CommonStockMember
2022-12-31
0001855485
us-gaap:RestrictedStockMember
CLDI:SettlementAgreementMember
2024-02-05

2024-02-05
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us-gaap:RestrictedStockMember
CLDI:SettlementAgreementMember
2024-02-05
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us-gaap:OtherCurrentLiabilitiesMember
2024-03-31
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2023-11-15
2023-11-15
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us-gaap:CommonStockMember
us-gaap:SubsequentEventMember
2024-05-01
2024-05-01
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CLDI:ConvertiblePromissoryNotePurchaseAgreementMember
CLDI:TwoThousandTwentyFourLoanMember
2024-03-08
0001855485
CLDI:ConvertiblePromissoryNotePurchaseAgreementMember
CLDI:TwoThousandTwentyFourNotesMember
2024-03-08
0001855485
CLDI:ConvertiblePromissoryNotePurchaseAgreementMember
2024-04-19
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CLDI:ManufacturingAndOtherSupplierAgreementsMember
CLDI:VendorsMember
2024-03-31
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CLDI:ManufacturingAndOtherSupplierAgreementsMember
CLDI:VendorsMember
country:AU
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CLDI:ManufacturingAndOtherSupplierAgreementsMember
CLDI:VendorsMember
srt:EuropeMember
2024-03-31
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CLDI:NorthwesternAgreementMember
2021-06-07
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CLDI:LicenseAgreementMember
2021-07-22
2021-07-22
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CLDI:SeparationAndReleaseAgreementMember
CLDI:GeorgeNgMember
2023-06-23
0001855485
2023-06-22
2023-06-23
0001855485
CLDI:MrCamaisaMember
2023-08-31
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CLDI:MrLeftwichMember
2023-08-31

0001855485
CLDI:MrKalajianMember
2023-09-11
2023-09-12
0001855485
CLDI:MrKalajianMember
2023-09-12
0001855485
us-gaap:CommonStockMember
CLDI:StandbyEquityPurchaseAgreementMember
2023-12-10
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us-gaap:CommonStockMember
CLDI:StandbyEquityPurchaseAgreementMember
2023-12-10
2023-12-10
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CLDI:StandbyEquityPurchaseAgreementMember
2023-12-10
2023-12-10
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CLDI:ConsultingAgreementMember
2024-03-25
2024-03-25
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us-gaap:SubsequentEventMember
CLDI:ConvertibleNoteAgreementMember
2024-04-19
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us-gaap:SubsequentEventMember
us-gaap:CommonStockMember
2024-04-18
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us-gaap:SubsequentEventMember
2024-04-18
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us-gaap:SubsequentEventMember
2024-04-18
2024-04-18
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us-gaap:SubsequentEventMember
2024-04-29
2024-04-29
0001855485
us-gaap:SubsequentEventMember
2024-04-29
iso4217:USD
xbrli:shares
iso4217:USD
xbrli:shares
xbrli:pure
utr:sqft
iso4217:EUR
iso4217:AUD

UNITEDSTATES
SECURITIESAND EXCHANGE COMMISSION
WASHINGTON,D.C. 20549

FORM
10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

Exhibit 31.1

CERTIFICATIONS OF THE SECURITIES EXCHANGE ACT OF 1934

FORTHE QUARTERLY PERIOD ENDED
MARCH 31,
2024
or

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

CommissionFile Number
001-40789

CalidiBiotherapeutics, Inc.

(Exactname of registrant as specified in its charter)

Delaware	86-2967193
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

4475 Executive Drive
,
Suite 200
,
San Diego
,
California
(Address of principal executive offices) (Zip Code) 92121

(858)
794-9600
(Registrant'stelephone number, including area code)

Securitiesregistered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.0001 par value	CLDI	NYSE American LLC
Warrants, each whole warrant exercisable for one share of common stock	CLDI WS	NYSE American LLC

Indicateby check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities ExchangeAct 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

Indicateby check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule405 of Regulation S-T ((s)232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrantwas required to submit and post such files).
Yes
No

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

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

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

Asof May 10, 2024, the registrant had
50,924,284
shares of common stock, $0.0001 par value, outstanding, excluding 18,000,000 non-votingcommon stock held in escrow.

CalidiBiotherapeutics, Inc.

FORM10-Q

TABLEOF CONTENTS

PARTI - FINANCIAL INFORMATION

Item1. Financial Statements

CALIDIBIOTHERAPEUTICS, INC.
CONDENSEDCONSOLIDATED BALANCE SHEETS
(
Inthousands except for par value data
)

	March 31, 2024	December 31, 2023
	(Unaudited)	
ASSETS		
CURRENT ASSETS		
Cash	$ 1,143	$ 1,949
Prepaid expenses and other current assets	793	2,354
Total current assets	1,936	4,303
NONCURRENT ASSETS		
Machinery and equipment, net	1,165	1,270
Operating lease right-of-use assets, net	3,798	4,073
Other noncurrent assets	506	373
TOTAL ASSETS	$ 7,405	$ 10,019
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable	$ 3,805	$ 2,796
Related party accounts payable	94	81
Accounts payable	94	81
Accrued expenses and other current liabilities	4,566	4,896
Related party accrued expenses and other current liabilities	536	536
Accrued expenses and other current liabilities	536	536
Term notes payable, net of discount, including accrued interest	555	529
Related party term notes payable, net of discount, including accrued interest	2,455	278
Term notes payable, net of discount, including accrued interest	2,455	278
Convertible notes payable, including accrued interest	1,021	-
Related party bridge loan payable, including accrued interest	205	-
Related party other current liability	567	-
Finance lease liability, current	74	81
Operating lease right-of-use liability, current	1,075	1,035
Total current liabilities	14,953	10,232
NONCURRENT LIABILITIES		
Operating lease right-of-use liability, noncurrent	2,756	3,037
Finance lease liability, noncurrent	197	216
Convertible notes payable, including accrued interest	3,375	-
Warrant liability	647	623
Related party warrant liability	50	48
Related party term notes payable, net of discount, including accrued interest	-	2,060
Other noncurrent liabilities	-	1,500
Related party other noncurrent liabilities	-	538
Other noncurrent liabilities	-	538
TOTAL LIABILITIES	21,978	18,254
Commitments and contingencies (Note 11)	-	-
STOCKHOLDERS' DEFICIT		
Common stock, $	4	4
0.0001		
par value,		
330,000		
shares authorized;		
35,727		
and		
35,522		
shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively		
Additional paid-in capital	92,209	91,380
Accumulated other comprehensive income (loss), net of tax	11	( )
	47	
Accumulated deficit	( )	( )
	106,797	99,572
Total stockholders' deficit	( )	( )
	14,573	8,235
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 7,405	$ 10,019

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

CALIDIBIOTHERAPEUTICS, INC.
CONDENSEDCONSOLIDATED STATEMENTS OF OPERATIONS
(Inthousands, except per share data)

	2024	2023
	Three Months Ended March 31,	
	2024	2023
	(Unaudited)	
OPERATING EXPENSES		
Research and development	$ ( )	$ ( )
	2,743	2,622
General and administrative	( )	( )
	4,009	2,792
Total operating expense	( )	( )
	6,752	5,414
Loss from operations	( )	( )
	6,752	5,414
OTHER INCOME (EXPENSES), NET		
Interest expense	( )	( )
	98	67
Interest expense - related party	( )	( )
	155	150
Interest expense	( )	( )
	155	150
Change in fair value of debt, other liabilities, and derivatives	( )	( )
	198	1,026
Change in fair value of debt, other liabilities, and derivatives - related party	( )	( )
	1	487
Change in fair value of debt, other liabilities, and derivatives	( )	( )
	1	487
Grant income	-	691
Other expense, net	( )	( )
	17	5
Total other expenses, net	( )	( )
	469	1,044
LOSS BEFORE INCOME TAXES	( )	( )
	7,221	6,458
Income tax provision	( )	( )
	4	4
NET LOSS	$ ( )	$ ( )
	7,225	6,462
Net loss per share; basic and diluted	$ ( )	$ ( )
	0.20	0.75
Weighted average common shares outstanding; basic and diluted	35,552	8,655

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

CALIDIBIOTHERAPEUTICS, INC.
CONDENSEDCONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Inthousands)

	2024	2023
	Three Months Ended March 31,	
	2024	2023
	(Unaudited)	
NET LOSS	$ ( )	$ ( )
	7,225	6,462
Other comprehensive income, net of tax:		
Foreign currency translation adjustment	58	2
COMPREHENSIVE LOSS	$ ( )	$ ( )
	7,167	6,460

Theaccompanying notes are an integral part of these unaudited condensed

consolidated financial statements.

CALIDIBIOTHERAPEUTICS, INC.
CONDENSEDCONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT
(Unaudited)
(
Inthousands, except share amounts
)

Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Income (Loss)
Founders Convertible Preferred Stock		Series A-1 Convertible Preferred Stock		Series A-2 Convertible Preferred Stock		Common Stock		Additional Paid-In	Accumulated Other Comprehensive
Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Income (Loss)
Balance at December 31, 2023	$ -	-	$ -	-	$ -	35,522,230	$ 4	$ 91,380	$ ( ) 47
Issuance of common stock in lieu of cash for services	-	-	-	-	-	50,000	-	29	-
Issuance of common stock in lieu of cash for SEPA commitment fee	-	-	-	-	-	138,750	-	81	-
Issuance of common stock to Calidi stockholders as result of Merger	-	-	-	-	-	15,804	-	-	-
Issuance of warrants for legal settlement	-	-	-	-	-	-	-	158	-
Financing fees	-	-	-	-	-	-	-	( ) 327	-
Stock-based compensation	-	-	-	-	-	-	-	888	-
Foreign currency translation adjustments	-	-	-	-	-	-	-	-	58
Net	-	-	-	-	-	-	-	-	-

loss												
Balance at March 31, 2024	-	$ -	-	$ -	-	$ -	35,726,784	$ 4	$ 92,209	$ 11	Deficit	Deficit
											ccumulated Deficit	Total Stockholders'
											Deficit	Deficit
											$ ( )	$)
											99,572	(
												8,235
											-	29
											-	81
											-	-
											-	158
											-	( )
												327
											-	888
											-	58
											( )	( )
											7,225	7,225
											$ ( )	$ ( )
											106,797	14,573

Founders Convertible Preferred Stock	Series A-1 Convertible Preferred Stock	Series A-2 Convertible Preferred	Common Stock	Additional Paid-In	Accumulated Other Comprehensi

	Stock		Stock							
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Income
									(Loss)	
Balance at December 31, 2022 (1)	4,329,816	$ 1,354	1,796,645	$ 3,871	1,059,274	$ 4,376	8,583,724	$ 2	$ 19,928	$
Balance	4,329,816	$ 1,354	1,796,645	$ 3,871	1,059,274	$ 4,376	8,583,724	$ 2	$ 19,928	$
Issuance of common stock with term notes as interest paid in kind and other	-	-	-	-	-	-	29,752	-	187	
Exercise of stock options	-	-	-	-	-	-	156,089	-	181	
Stock-based compensation	-	-	-	-	-	-	-	-	1,434	
Foreign currency translation adjustments	-	-	-	-	-	-	-	-	-	
Net loss	-	-	-	-	-	-	-	-	-	
Balance at March 31, 2023	4,329,816	$ 1,354	1,796,645	$ 3,871	1,059,274	$ 4,376	8,769,565	$ 2	$ 21,730	$
Balance	4,329,816	$ 1,354	1,796,645	$ 3,871	1,059,274	$ 4,376	8,769,565	$ 2	$ 21,730	$

Accumulated Deficit	Total Stockholders' Deficit
( )	$ ( )
14	70,356
( )	$ ( )
14	70,356
-	-
-	-
-	-
2	-

-	( )	( )
	6,462	6,462
( )	$ ( )	$ ( )
12	76,818	55,098
( )	$ ( )	$ ( )
12	76,818	55,098

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

(1) Retroactively restated for reverse recapitalization.

CALIDIBIOTHERAPEUTICS, INC.
CONDENSEDCONSOLIDATED STATEMENTS OF CASH FLOWS
(Inthousands)

	2024	2023
	Three Months Ended March 31,	
	2024	2023
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ ( )	$ ( )
	7,225	6,462
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	102	93
Amortization of right of use assets	272	90
Amortization of debt discount and financing costs	16	201
Stock-based compensation	888	1,434
Change in fair value of debt, other liabilities and derivatives	199	1,513
Other	-	14
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	1,575	( )
		283
Accounts payable	968	21
Accrued expenses and other current liabilities	( )	236
	388	
Operating lease right of use liability	( )	36
	238	
Net cash used in operating activities	( )	( )
	3,831	3,107
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of machinery and equipment	( )	( )
	5	137
Net cash used in investing activities	( )	( )
	5	137
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	-	181
Related party proceeds from issuance of loan payable	200	-
Proceeds from simple agreements for future equity (SAFE)	-	1,350
Proceeds from issuance of convertible notes payable	3,000	-
Proceeds from issuance of term notes payable	-	750
Related party proceeds from issuance of term notes payable	-	1,600
Repayment of financing lease obligations	( )	( )
	23	19
Payment of interest on loan payable	( )	-
	2	
Payment of financing costs	( )	( )
	162	71
Net cash provided by financing activities	3,013	3,791
Effect of exchange rate changes on cash	17	-
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	( )	547
	806	
CASH AND RESTRICTED CASH BALANCE:		
At beginning of the period	2,167	590
At end of the period	$ 1,361	$ 1,137

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 24	$ 12
Cash paid for income taxes	$ 2	$ 5
SUPPLEMENTAL SCHEDULE OF NONCASH FINANCING AND INVESTING ACTIVITIES		
Issuance of common stock in lieu of cash for services	$ 29	$ -
Issuance of common stock in lieu of cash for SEPA commitment fee	$ 81	$ -
Issuance of Warrants for legal settlement	$ 158	$ -
Issuance of Convertible Note for legal settlement	$ 1,500	$ -
Financing fees	$ 248	$ 234
Discount on convertible note payable	$ 149	$ -
Issuance of common stock with term notes as interest paid in kind and other	$ -	$ 191
Purchase of equipment included in accounts payable and accrued liabilities	$ -	$ 249

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

CALIDIBIOTHERAPEUTICS, INC.
NOTESTO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1.
Organization and Nature of Operations

OnSeptember 12, 2023, First Light Acquisition Group, Inc., a Delaware corporation ("FLAG") consummated a series of transactionsthat resulted in the merger of FLAG Merger Sub Inc., a Nevada corporation and a wholly-owned subsidiary of FLAG and Calidi Biotherapeutics.Inc., a Nevada corporation ("Calidi"). Following the consummation of the Business Combination, FLAG was renamed "CalidiBiotherapeutics, Inc." and Calidi was renamed "Calidi Biotherapeutics (Nevada), Inc. and became a wholly owned subsidiaryof the Company ("Calidi"). Unless the context otherwise requires, the "Company" refers to Calidi Biotherapeutics,Inc., a Delaware corporation (f/k/a First Light Acquisition Group, Inc., a Delaware corporation) and its consolidated subsidiaries.

TheCompany was founded in 2014 and is a clinical stage immuno-oncology company that is developing proprietary allogeneic stem cell-basedplatforms to potentiate and deliver oncolytic viruses (vaccinia virus and adenovirus) and potentially other molecules to cancer patients.The Company is developing a pipeline of off-the-shelf allogeneic cell product candidates that are designed to: (i) protect oncolyticviruses from complement inactivation and innate immune cell inactivation by the body's immune system; (ii) support oncolytic viralamplification in the allogeneic cells, and (iii) modify the tumor microenvironment to facilitate tumor cell targeting and viral amplificationat the tumor sites for an extended period of time, potentially leading to an improved cancer therapy. The Company's most advancedproduct candidates are discussed below.

CLD-101(NeuroNova
"
Platform) for newly diagnosed High Grade Glioma ("HGG") (also referred to as "NNV1"as to the indication) is composed of an immortalized neural stem cell line loaded with an engineered oncolytic adeno virus for the treatmentof HGG. NNV1 is a licensed program from Northwestern University ("Northwestern") which the Company obtained the rights forcommercialization in June 2021 (see Note 11). A phase I clinical trial for NNV1 in patients with newly diagnosed high-grade gliomas wascompleted by Northwestern in June 2021.

CLD-101for recurrent HGG (also referred to as "NNV2" as to the recurrent HGG indication) is a licensed program under developmentfor patents covering cancer therapies using the same CLD-101 (NeuroNova
"
Platform) for recurrent HGG. The Company licensedthis product candidate in July 2021 pursuant to an agreement with City of Hope for the commercial development of NNV2 (see Note 11).

CLD-201(SuperNova
"
) for advanced solid tumors (also referred to as "SNV1"), composed of allogeneic adipose-derivedmesenchymal stem cells (AD-MSC) loaded with the tumor selective oncolytic vaccinia virus the Company refers to as "CAL1".SNV1 is an internally developed product candidate for which the Company's primary indications are for the treatment of advancedsolid tumors, including head and

neck cancer, triple-negative breast cancer and advanced soft tissue sarcoma.

TheCompany is also developing engineered oncolytic vaccinia virus constructs as well as allogeneic cell-based platforms with improved systemicanti-tumor immunity in the exploratory stages of development.

TheCompany's operations to date have focused on organization and staffing, business planning, raising capital, licensing, acquiringand developing technology, establishing intellectual property portfolio, identifying potential product candidates and undertaking preclinicalstudies, process development and procuring manufacturing for preclinical and clinical trials. The Company's product candidatesare subject to long development cycles and the Company may be unsuccessful in its efforts to develop, obtain regulatory approval foror market its product candidates.

TheCompany is subject to risks and uncertainties common to early-stage companies in the biotechnology industry, including, but not limitedto, possible failure of preclinical studies or clinical trials, the need to obtain marketing approval for its product candidates, developmentby competitors of new technological innovations, dependence on key personnel, protection of proprietary technology, compliance with governmentregulations, the need to successfully commercialize and gain market acceptance of any of the Company's products that are approvedand the ability to secure additional capital to fund operations. Product candidates currently under development will require significantadditional research and development efforts, including extensive preclinical and clinical testing, and regulatory approval prior to commercialization.These efforts require significant amounts of additional capital, adequate personnel and infrastructure, and extensive compliance-reporti ngcapabilities. Even if the Company's drug development efforts are successful, it is uncertain when, if ever, the Company will realizesignificant revenue from product sales.

Liquidityand Going Concern

Theunaudited condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realizationof assets and settlement of liabilities in the normal course of business, and do not include any adjustments to reflect the possiblefuture effects on the recoverability and classification of assets or amounts and classification of liabilities that may result from theoutcome of this uncertainty.

TheCompany has experienced recurring losses from operations and negative cash flows from operating activities, has a significant accumulateddeficit and expects to continue to incur net losses into the foreseeable future. The Company had an accumulated deficit of $ 106.8 millionat March 31, 2024. During the three months ended March 31, 2024, the Company used $ 3.8 million for operating activities. As of March31, 2024, the Company had cash of $ 1.2 million and restricted cash of $ 0.2 million. Management expects operating losses and negativecash flows to continue for the foreseeable future.

OnDecember 10, 2023, the Company entered into a Standby Equity Purchase Agreement (the "SEPA") with YA II PN, Ltd., a CaymanIsland exempt limited partnership ("Yorkville"). Pursuant to the SEPA, the Company will have the right, but not the obligation,to sell to Yorkville up to $ 25.0 million of its shares of Common Stock, par value $ 0.0001 per share, at the Company's request anytime during the 36 months following the execution of the SEPA. Subject to certain conditions set forth in the SEPA, including paymentof an additional commitment fee, the Company will have the right to increase the commitment amount under the SEPA by an additional $ 25.0 million. See Note 11 for more details.

Managementestimates that based on the Company's liquidity resources, there is substantial doubt about the Company's ability to continueas a going concern

within 12 months from the date of issuance of the financial statements. The accompanying financial statements havebeen prepared on the basis of the Company continuing to operate in the normal course of business and does not reflect any adjustmentsto the assets and liabilities related to the substantial doubt of its ability to continue as a going concern.

Management'sability to continue as a going concern is dependent upon its ability to raise additional funding. Management's plans to raise additionalcapital through public or private equity or debt financings to fulfill its operating and capital requirements for at least 12 monthsfrom the date of the issuance of the financial statements. However, the Company may not be able to secure such financing in a timelymanner or on favorable terms, if at all. Furthermore, if the Company issues equity securities to raise additional funds, its existingstockholders may experience dilution, and the new equity securities may have rights, preferences and privileges senior to those of theCompany's existing stockholders.

Risksand Uncertainties

Changesin economic conditions, including rising interest rates, public health issues, lower consumer confidence, volatile equity capital markets,ongoing supply chain disruptions and the impacts of geopolitical conflicts, may affect the Company's operations.

2.
Summary of Significant Accounting Policies

Unaudited Interim Financial Information

Theaccompanying unaudited condensed consolidated financial statements as of March 31, 2024, and for the three months ended March 31, 2024and 2023, have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC")and in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interimfinancial reporting. Accordingly, these unaudited condensed consolidated financial statements do not include all of the information andfootnotes required by U.S. GAAP for complete financial statements. In the opinion of management, these unaudited condensed consolidatedfinancial statements contain all adjustments necessary, all of which are of a normal and recurring nature, to state fairly the Company'sfinancial position, results of operations and cash flows. Interim results are not necessarily indicative of results for a full year orfuture periods. These unaudited condensed consolidated financial statements should be read in conjunction with Calidi's auditedconsolidated financial statements for the year ended December 31, 2023 in the Company's Form 10-K, which was filed with the Commissionon March 15, 2024.

Anyreference in these notes to applicable guidance is meant to refer to the authoritative U.S. GAAP as found in the Accounting StandardsCodification ("ASC") and Accounting Standards Update ("ASU") of the FASB.

Principlesof Consolidation

Theaccompanying unaudited condensed consolidated financial statements of the Company include the accounts of its wholly owned subsidiary,Calidi Biotherapeutics (Nevada), Inc., a company incorporated in the state of Nevada and Calidi Biotherapeutics, Inc., StemVac GmbH ("StemVac"),a company organized under the laws of Germany, and Calidi Biotherapeutics Australia Pty Ltd ("Calidi Australia"), a whollyowned Australian subsidiary. StemVac's primary operating activities include process development and other research and developmentactivities for the SNV1 program performed for the Company under a cost-plus intercompany development agreement funded by the Company.Calidi Australia's principal purpose is for conducting a part of the SNV1 clinical trials in Australia.

Variableinterest entities ("VIEs") are legal entities that either have an insufficient amount of equity at risk for the entity tofinance its activities without additional subordinated financial support or, as a group, the holders of equity investment at risk lackthe ability to direct the entity's activities that most significantly impact economic performance through voting or similar rights,or do not have the obligation to absorb the expected losses or the right to receive expected residual returns of the entity.

Forall VIEs in which the Company is involved, it assesses whether it is the

primary beneficiary on an ongoing basis. In circumstances wherethe Company has both the power to direct the activities that most significantly impact the VIEs performance and the obligation to absorblosses or the right to receive the benefits of the VIE that could be significant, the Company would conclude that it is the primary beneficiaryof the VIE, and the Company consolidates the VIE. In situations where the Company is not deemed to be the primary beneficiary of theVIE, it does not consolidate the VIE and only recognizes the Company's interests in the VIE.

CalidiCure LLC ("Calidi Cure"), a Delaware limited liability company formed in June 2023, is a special purpose vehicle entity thatis solely managed and operated by Allan J. Camaisa, Chief Executive Officer and Chairman of the Board of Directors of the Company. CalidiCure was created for the sole purpose of supporting the Series B Convertible Preferred Stock financing arrangement for Calidi, has no other operations, and will be dissolved as soon as practicable following the closing of the business combination betweenthe Company and FLAG . As such, the level of equity in Calidi Cure is not sufficient to permit the entity to finance its activitieswithout additional subordinated financial support provided by other parties. Accordingly, it was determined that Calidi Cure is a VIEand the Company is the primary beneficiary. As such, the Company has consolidated Calidi Cure into its unaudited condensed consolidatedfinancial statements presented herein.

Theaccompanying unaudited condensed consolidated financial statements include all adjustments, consisting only of normal recurring adjustments,necessary for a fair presentation of the Company's financial condition and results of operations. All material intercompany accountsand transactions have been eliminated in consolidation.

Useof Estimates

Thepreparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reportedamounts of assets and liabilities, and contingent assets and liabilities, at the date of the unaudited condensed consolidated financialstatements, and the reported amounts during the reporting period. On an ongoing basis, management evaluates estimates which are subjectto significant judgment, including, but not limited to, valuation methods used, assumptions requiring the use of judgment to preparefinancial projections, timing of potential commercialization of acquired in-process intangible assets, applicable discount rates, comparablecompanies or transactions, liquidity events, assumptions related to the going concern assessments, allocation of direct and indirect expenses, useful lives associated with long-lived assets, key assumptions in operating and financing leases including incremental borrowing rates, loss contingencies, valuationallowances related to deferred income taxes, assumptions used to value common stock, debt and debt-like instruments, warrants, and stock-basedawards and other equity instruments. Actual results may differ materially from those estimates.

Reclassification

Certain prior year financial statement amounts have been reclassified for consistency with the current year presentation.These reclassifications had no effect on our previously reported results of operations or accumulated deficit.

Cash and Restricted Cash

TheCompany considers all highly liquid investments purchased with an original maturity date of ninety days or less to be cash equivalents.Cash and cash equivalents include cash in readily available checking, money market accounts and brokerage accounts.

TheCompany classifies cash that has contractual or legal restrictions imposed by third parties as restricted cash, which is restricted asto withdrawal or use except for the specified purpose under a contract. The Company classifies restricted cash as either part of prepaidsand other current assets, or as part of other noncurrent assets, depending on the term and nature of the underlying contract with a financialinstitution, which requires the Company to hold a fixed amount of funds in a restricted money market account as collateral to the financialinstitution for the Company's corporate credit card program with that financial institution.

Thefollowing table provides a reconciliation of cash and restricted cash

reported within the balance sheet dates that comprise the totalof the same such amounts shown in the unaudited condensed consolidated statements of cash flows (in thousands):

Schedule of Cash and Cash Equivalents

	March 31, 2024	December 31, 2023
Cash	$ 1,143	$ 1,949
Restricted cash included within prepaid expenses and other current assets	100	100
Restricted cash included within other noncurrent assets	118	118
Total cash and restricted cash as shown in the unaudited condensed consolidated statements of cash flows	$ 1,361	$ 2,167

Machineryand Equipment

Machineryand equipment are stated at cost, less accumulated depreciation, and includes assets purchased under financing leases. Depreciation iscomputed using the straight-line method over the estimated useful lives of the assets, generally over a period of 3 to 5 years. For equipmentpurchased under financing leases, The Company depreciates the equipment based on the shorter of the useful life of the equipment or theterm of the lease, ranging from 3 to 5 years, depending on the nature and classification of the financing lease. Maintenance and repairsare expensed as incurred whereas significant renewals and betterments are capitalized. When assets are retired or otherwise disposedof, the cost and the related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is reflectedin the Company's consolidated statements of operations.

Leases

TheCompany accounts for leases in accordance with ASC 842, Leases. The Company determines if an arrangement is a lease at inception.Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the unauditedcondensed consolidated statements of operations. When determining whether a lease is a finance lease or an operating lease, ASC 842 doesnot specifically define criteria to determine "major part of remaining economic life of the underlying asset" and "substantiallyall of the fair value of the underlying asset." For lease classification determination, the Company continues to use: (i) greaterthan or equal to 75% to determine whether the lease term is a major part of the remaining economic life of the underlying asset; and(ii) greater than or equal to 90% to determine whether the present value of the sum of lease payments is substantially all of the fairvalue of the underlying asset. The Company accounts for the lease and non-lease components as a single lease component.

Foroperating leases, the Company recognizes right-of-use ("ROU") assets and lease liabilities for leases with terms greaterthan 12 months in the unaudited condensed consolidated balance sheet, while leases with terms of 12 months or less are not capitalized.ROU assets represent the right to use an underlying asset during the lease term and lease liabilities represent the obligation to makelease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the presentvalue of lease payments over the lease term. As most leases do not provide an implicit rate, the Company uses an incremental borrowingrate based on the information available at commencement date in determining the present value of lease payments. The Company uses theimplicit rate when it is readily determinable. The operating lease ROU asset also includes any lease payments made and excludes leaseincentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercisethat option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company discloses the

amortizationof ROU assets and operating lease payments as a net amount, "Amortization of right-of-use assets and liabilities", on theunaudited condensed consolidated statements of cash flows.

Financeleases are included in machinery and equipment, and in finance lease liabilities, current and noncurrent, in the unaudited condensedconsolidated balance sheets.

SeeNote 11 for the San Diego Office lease which commenced on March 1, 2023, and was accounted for as an operating lease in accordance withASC 842.

Impairmentof Long-lived Assets

TheCompany assesses the impairment of long-lived assets, which consist primarily of right-of-use assets for operating leases and machineryand equipment, whenever events or changes in circumstances indicate that such assets might be impaired and the carrying value may notbe recoverable. If events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and the expectedundiscounted future cash flows attributable to the asset are less than the carrying amount of the asset, an impairment loss equal tothe excess of the assets carrying value over its fair value is recorded in the Company's consolidated statements of operations.

Warrants

TheCompany accounts for warrants as either equity-classified or liability-classi fied instruments based on an assessment of the warrant'sspecific terms and applicable authoritative guidance in ASC 480, Distinguishing Liabilities from Equity, and ASC 815, Derivativesand Hedging. Warrants that meet the definition of a derivative financial instrument and the equity scope exception in ASC 815-10-15-74(a)are classified as equity and are not subject to remeasurement provided that the Company continues to meet the criteria for equity classification.Warrants that are classified as liabilities are accounted for at fair value and remeasured at each reporting date until exercise, expiration,or modification that results in equity classification. Any change in the fair value of the warrants is recognized as change in fair valueof warrant liabilities in the unaudited condensed consolidated statements of operations. The classification of warrants, including whetherwarrants should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period. The fair value of liability-classifiedwarrants is determined using the Black-Scholes options pricing model ("Black-Scholes model") which includes Level 3 inputs.

FairValue Measurements

TheCompany follows ASC 820, Fair Value Measurement, which among other things, defines fair value, establishes a consistent frameworkfor measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurringor nonrecurring basis. Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfera liability in an orderly transaction between market participants. Accordingly, fair value is a market-based measurement determined basedon assumptions that market participants would use in pricing an asset or liability. The fair value hierarchy requires an entity to maximizethe use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

ASC820 establishes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the lastunobservable, that may be used to measure fair value, which are as follows:

Level 1: Quoted prices in active markets for identical assets and liabilities;

Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted market prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3: Unobservable inputs in which there is little or no market data and that are significant to the fair

value of the assets or liabilities, which require the reporting entity to develop its own assumptions.

Whenquoted market prices are available in active markets, the fair value of assets and liabilities is estimated within Level 1 of the valuationhierarchy. If quoted prices are not available, then fair values are estimated by using pricing models, quoted prices of assets and liabilitieswith similar characteristics, or discounted cash flows, within Level 2 of the valuation hierarchy. In cases where Level 1 or Level 2inputs are not available, the fair values are estimated by using inputs within Level 3 of the hierarchy. See Note 3 for fair value measurements.

ForwardPurchase Agreement

OnAugust 28, 2023, and August 29, 2023, FLAG and the Company entered into forward purchase agreements (each a "Forward Purchase Agreement",and together, the "Forward Purchase Agreement") with each of Meteora Strategic Capital, LLC ("MSC"), MeteoraCapital Partners, LP ("MCP"), Meteora Select Trading Opportunities Master, LP ("MSTO"), Great Point Capital LLC("Great Point"), Funicular Funds, LP ("Funicular Funds") and Marybeth Wootton ("Wootton") (with eachof MSC, MCP, MSTO, Great Point, Funicular, and Wootton, individually a "Seller", and together, the "Sellers")for an OTC Equity Prepaid Forward Transaction. For purposes of the Forward Purchase Agreement, FLAG is referred to as the "Counterparty"prior to the consummation of the business combination), while the Company is referred to as the "Counterparty" after the consummationof the business combination. Capitalized terms used herein but not otherwise defined shall have the meanings ascribed to such terms inthe Forward Purchase Agreement.

Pursuantto the terms of the Forward Purchase Agreements, each Sellers intends to purchase up to a number of shares of Class A Common Stock, parvalue $ 0.0001 per share, of FLAG ("FLAG Class A Common Stock") in the aggregate amount equal to up to 1,000,000 , concurrentlywith the Closing pursuant to each Seller's respective FPA Funding Amount PIPE Subscription Agreement, less, the number of FLAGClass A Common Stock purchased by each Seller separately from third parties through a broker in the open market ("Recycled Shares").

TheForward Purchase Agreements provide that Sellers will be paid directly an aggregate cash amount (the "Prepayment Amount")equal to the product of (i) the Number of Shares as set forth in each Pricing Date Notice and (ii) the redemption price per share asdefined in Section 9.2(a) of FLAG's Amended and Restated Certificate of Incorporation, as amended (the "Initial Price")less (iii) an amount in USD equal to 0.50 % of the product of (i) the Recycled Shares multiplied by (ii) the Initial Price paid by Sellerto Counterparty on the Prepayment Date (which amount shall be netted from the Prepayment Amount) (the "Prepayment Shortfall").

TheCounterparty will pay to Seller the Prepayment Amount required under the respective Forward Purchase Agreement directly from the Counterparty'sTrust Account maintained by Continental Stock Transfer and Trust Company holding the net proceeds of the sale of the units in the Counterparty'sinitial public offering and the sale of private warrants (the "Trust Account") no later than the earlier of (a)one business day after the Closing Date and (b) the date any assets from the Trust Account are disbursed in connection with the BusinessCombination, except that to the extent the Prepayment Amount payable to a Seller is to be paid from the purchase of Additional Sharesby such Seller pursuant to the terms of its FPA Funding Amount PIPE Subscription Agreement, such amount will be netted against such proceeds,with such Seller being able to reduce the purchase price for the Additional Shares by the Prepayment Amount.

Followingthe Closing, the reset price (the "Reset Price") will initially be $ 10.00 ; provided, however, that the Reset Price may bereduced immediately to any lower price at which the Counterparty sells, issues or grants any FLAG Class A Common Stock or securitiesconvertible or exchangeable into FLAG Class A Common Stock (excluding any secondary transfers) (a "Dilutive Offering"), thenthe Reset Price shall be modified to equal such reduced price as of such date.

Fromtime to time and on any date following the Trade Date (any such date, an "OET Date"), Seller may, in its discretion, terminateits Forward Purchase Agreement in whole or in part by providing written notice to the Counterparty (the "OET Notice"), bythe later of (a) the fifth Local Business Day following the OET Date and (b) no later than the next Payment Date following the OET Date(which shall specify the quantity by which the Number of Shares shall be reduced (such quantity, the "Terminated Shares"));provided that "Terminated Shares" includes only such quantity of Shares by which the Number of Shares is to be reduced andincluded in an OET Notice and does not include any other Share sales, Shortfall Sale Shares or sales of Shares that are designated asShortfall Sales (which designation can be made only up to the amount of Shortfall Sale Proceeds), any Share Consideration sales or anyother Shares, whether or not sold, which shares will not be included in any OET Notice when calculating the number of Terminated Shares.The effect of an OET Notice shall be to reduce the Number of Shares by the number of Terminated Shares specified in such OET Notice witheffect as of the related OET Date. As of each OET Date, the Counterparty shall be entitled to an amount from the Seller, and the Sellershall pay to the Counterparty an amount, equal to the product of (x) the number of Terminated Shares and (y) the Reset Price in respectof such OET Date, except that no such amount will be due to Counterparty upon any Shortfall Sale. The payment date may be changed withina quarter at the mutual agreement of the parties.

Fromtime to time and on any date following the Trade Date (any such date, a "Shortfall Sale Date") Seller may, in its absolutediscretion, at any sales price, sell Shortfall Sale Shares, and in connection with such sales, Seller shall provide written notice toCounterparty (the "Shortfall Sale Notice") no later than the later of (a) the fifth Local Business Day following the ShortfallSales Date and (b) the first Payment Date after the Shortfall Sales Date, specifying the quantity of the Shortfall Sale Shares and theallocation of the Shortfall Sale Proceeds. Seller shall not have any Early Termination Obligation in connection with any Shortfall Sales.The Counterparty covenants and agrees for a period of at least sixty (60) Local Business Days (commencing on the Prepayment Date or ifan earlier Registration Request is submitted by Seller on the Registration Statement Effective Date) not to issue, sell or offer or agreeto sell any Shares, or securities or debt that is convertible, exercisable or exchangeable into Shares, including under any existingor future equity line of credit, until the Shortfall Sales equal the Prepayment Shortfall.

Unlessand until the proceeds from Shortfall Sales equal
100
% of the Prepayment Shortfall, in the event that the product of (x) the differencebetween (i) the number of Shares as specified in the Pricing Date Notice(s), less (ii) any Shortfall Sale Shares as of such measurementtime, multiplied by (y) the VWAP Price, is less than (z) the difference between (i) the Prepayment Shortfall, less (ii) the proceedsfrom Shortfall Sales as of such measurement time (the "Shortfall Variance"), then the Counterparty, as liquidated damagesin respect of such Shortfall Variance, at its option shall within five (5) Local Business Days either:

(A)Pay in cash an amount equal to the Shortfall Variance; or

(B)Issue and deliver to Seller such number of additional Shares that are equal to (1) the Shortfall Variance, divided by (2)
90
% of theVWAP Price (the "Shortfall Variance Shares").

Thevaluation date will be the earliest to occur of (a)
36
months after of the Closing Date, (b) the date specified by a Seller in a writtennotice to be delivered to the Counterparty at a Seller's discretion (which Valuation Date shall not be earlier than the day suchnotice is effective) after the occurrence of any of (v) a Shortfall Variance Registration Failure, (w) a VWAP Trigger Event (x) a DelistingEvent, (y) a Registration Failure or (z) unless otherwise specified therein, upon any Additional Termination Event and (c) the date specifiedby Seller in a written notice to be delivered to Counterparty at Seller's sole discretion (which Valuation Date shall not be earlierthan the day such notice is effective) (the "Valuation Date").

Onthe Cash Settlement Payment Date, which is the
tenth

business day following the last day of the valuation period commencing on the ValuationDate, a Seller shall pay the Counterparty a cash amount equal to either: (1) in the event that the Valuation Date is determined by clause(c) of the Valuation Date definition, a cash amount equal to (A) the Number of Shares as of the Valuation Date, multiplied by (2) theclosing price of the Shares on the Exchange Business Day immediately preceding the Valuation Date, or (2) (A) the Number of Shares asof the Valuation Date less the number of Unregistered Shares, multiplied by (B) the volume-weighted daily VWAP Price over the ValuationPeriod less (3) if the Settlement Amount Adjustment is less than the cash amount to be paid, the Settlement Amount Adjustment. The SettlementAmount Adjustment is equal to (1) the Maximum Number of Shares as of the Valuation Date multiplied by (2) $
2.00
per share, and the SettlementAmount Adjustment will be automatically netted from the Settlement Amount. If the Settlement Amount Adjustment exceeds the SettlementAmount, the Counterparty will pay the Seller in FLAG Class A Common Stock or, at the Counterparty's election, in cash.

Sellerhas agreed to waive any redemption rights under FLAG's Amended and Restated Certificate of Incorporation, as amended, with respectto any FLAG Class A Common Stock purchased through the FPA Funding Amount PIPE Subscription Agreement and any Recycled Shares in connectionwith the Business Combination, that would require redemption by FLAG of the Class A Common Stock. The Forward Purchase Agreement hasbeen structured, and all activity in connection with such agreement has been undertaken, to comply with the requirements of all tenderoffer regulations applicable to the Business Combination under the Securities Exchange Act of 1934, as amended.

Duringthe
36
-month term of the Forward Purchase Agreement, if the Sellers liquidate the
1,000,000
shares in the market above $
10.00
per share,then the Company will be entitled to receive up to $
10.0
million in cash from the Sellers pursuant to the Forward Purchase Agreement.If the Sellers liquidate the shares below $
10.00
per share, then the Company will be entitled to the price sold less $
2.00
per share,from the Sellers. No proceeds will be available to the Company if the Forward Purchase Agreement shares are sold below $
2.00
per share.The Forward Purchase Agreement may be terminated earlier by the Sellers if certain default events occur, including the stock price tradingbelow defined thresholds for a defined period. In no event will the Company be obligated to pay cash to the Sellers during the term ofthe Forward Purchase Agreement or at its expiration.

OnMarch 8, 2024, the Company and one of the sellers mutually terminated and cancelled
340,000
shares per the ForwardPurchase Agreement described above.

ConvertibleInstruments

TheCompany evaluates and accounts for conversion options embedded in convertible instruments in accordance with ASC 815 - Derivativesand Hedging. Applicable GAAP requires companies to bifurcate conversion options from their host instruments and account for themas freestanding derivative financial instruments according to certain criteria. The criteria include circumstances in which (a) the economiccharacteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics andrisks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract isnot re-measured at fair value under other GAAP with changes in fair value reported in earnings as they occur and (c) a separate instrumentwith the same terms as the embedded derivative instrument would be considered a derivative instrument.

TheCompany reviews the terms of convertible instruments issued to determine whether there are embedded derivative instruments, includingembedded conversion options, which are required to be bifurcated and accounted for

separately as derivative financial instruments. Incircumstances where the host instrument contains more than one embedded derivative instrument, including the conversion option, thatis required to be bifurcated, the bifurcated derivative instruments are accounted for as a single, compound derivative instrument.

Bifurcatedembedded derivatives are initially recorded at fair value and are then revalued at each reporting date with changes in the fair valuereported as nonoperating income or expense. When the convertible instruments contain embedded derivative instruments that are to be bifurcatedand accounted for as liabilities, the total proceeds received are first allocated to the fair value of all the bifurcated derivativeinstruments. The remaining proceeds, if any, are then allocated to the host instruments themselves, usually resulting in those instrumentsbeing recorded at a discount from their face value. The discount from the face value of the convertible debt, together with the statedinterest on the instrument, is amortized over the life of the instrument through periodic charges to interest expense.

Derivative Financial Instruments

TheCompany does not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks. The Company evaluatesall of its financial instruments, including warrants, to determine if such instruments are derivatives or contain features that qualifyas embedded derivatives in accordance with ASC 815
Derivatives and Hedging
. The Company values its derivatives using the Black-Scholesoption-pricing model or other acceptable valuation models, as applicable, with the assistance of valuation specialists. Derivative instrumentsaccounted for as liabilities are valued at inception and subsequent valuation dates for each reporting period the derivative instrumentremains outstanding. The classification of derivative instruments, including whether such instruments should be recorded as liabilities,is reassessed at each reporting period.

TheCompany evaluates equity or liability classification for common stock warrants in accordance with ASC 480,
Distinguishing Liabilitiesfrom Equity
, and ASC 815 and accounts for common stock warrants as liabilities if the warrant requires net cash settlement or givesthe holder the option of net cash settlement or it otherwise does not meet other equity classification criteria. The Company accountsfor common stock warrants as equity if the contract requires physical settlement or net physical settlement or if the Company has theoption of physical settlement or net physical settlement and the warrants meet the requirements to be classified as equity. Common stockwarrants classified as liabilities are initially recorded at fair value and remeasured at fair value at each subsequent reporting periodwith the offset adjustments recorded in change in fair value of warrant liability within the unaudited condensed consolidated statementsof operations. Common stock warrants classified as equity are initially measured at fair value on the grant date and are not subsequentlyremeasured.

Asof March 31, 2024 and December 31, 2023, the Forward Purchase Agreement discussed above was accounted for as a derivative asset underASC 815 - Derivatives and Hedging
. The fair value of the Forward Purchase Agreement at the closing of the Business Combinationwas estimated to be a $
4.5
million asset with a corresponding amount recorded in equity at the closing of the FLAG Merger. As of March 31, 2024, and December31, 2023, the asset was revalued and estimated to have a fair value of $
0.1
million and $
0.2
million, respectively, and was recorded as part of other noncurrent assets on the accompanying unaudited condensed consolidated balancesheets. There can be no assurancethat any proceeds from the Sellers will be made to the Company under the Forward Purchase Agreement.

DebtIssuance Costs

Debtissuance costs incurred to obtain debt financings are deferred and are amortized over the term of the debt using the effective interestmethod for all debt financings in which the fair value option has not been elected. Debt issuance costs on debt financings in which thefair value option is not elected are recorded as a reduction to the carrying value of the debt and are amortized to interest expenseor interest expense - related party, as applicable, in the unaudited condensed consolidated statements of operations.

Forany debt financing in which the Company has elected the fair value option, any debt issuance costs associated with the debt financingare immediately

recognized in interest expense in the consolidated statements of operations and are not deferred (see Note 7).

GovernmentGrants

OnOctober 27, 2022, the California Institute for Regenerative Medicine ("CIRM") approved the Company's application fora CIRM grant for the Company's continued development of the SNV1 program. CIRM awarded the Company approximately $ 3.1 million of CIRMfunding conditioned that the Company co-fund approximately $ 0.8 million under the requirements of the CIRM application. On December 28,2022, the Company received the Notice of Award from CIRM for this grant and the Company expects to be able to draw the funds over thenext 18 months based on the operational milestones defined in the grant.

Proceedsfrom the CIRM grant are recognized over the period necessary to match the related research and development expenses when it is probablethat the Company has complied with the CIRM conditions and will receive the proceeds pursuant to the milestones defined in the grantas reimbursement of those expenditures. The CIRM grant proceeds, if any, received in advance of having incurred the related researchand development expenses are recorded in accrued expenses and other current liabilities and recognized as grant income included in otherincome and expenses, net, on the Company's consolidated statements of operations when the related research and developments expensesare incurred.

Duringthe three months ended March 31, 2024 and 2023, the Company recognized approximately $ 0 and $ 0.7 million in grant income in the accompanyingunaudited condensed consolidated statement of operations, respectively. As of March 31, 2024, grant cash payments and receivables fromCIRM of approximately $ 1.4 million and $ 0 , respectively, were included in cash and prepaid expenses and other current assets in the unauditedcondensed consolidated balance sheets. As of December 31, 2023, grant cash payments and receivables from CIRM of approximately $ 1.5 millionand $ 1.4 million, respectively, were included in cash and prepaid expenses and other current assets in the unaudited condensed consolidatedbalance sheets.

Researchand Development Expenses

Researchand development expenses are expensed as incurred. Research and development expenses consist of costs incurred to discover, research and develop drug candidates, including compensation-related expenses for research and development personnel, including stock-basedcompensation expense, preclinical and clinical activities, costs of manufacturing, overhead expenses including facilities and laboratoryexpenses, materials and supplies, amounts paid to consultants and outside service providers, and depreciation and amortization.

Upfrontand annual license payments related to acquired technologies or technology licenses which have not yet reached technological feasibilityand have no alternative future use are also included in research and development expense in the period in which they are incurred.

Generaland Administrative Expenses

Generaland administrative expenses consist primarily of salaries and related costs, including stock-based compensation expense, for personnelin executive, finance and accounting, business development, operations and administrative functions. General and administrative expensesalso include fees for legal, patent prosecution, legal settlements, consulting, charge off of deferred financing costs for aborted orterminated financing offerings, accounting and audit services as well as insurance, outside service providers, direct and allocated facility-relatedcosts and depreciation and amortization.

ForeignCurrency Translation Adjustments and Other Comprehensive Income or Loss

StemVac,the Company's wholly owned subsidiary, is located and operates in Germany and its functional currency is the Euro. Calidi Australia,the Company's wholly owned subsidiary, is located and operates in Australia and its functional currency is the Australian Dollar("AUD"). Accordingly, StemVac's and Calidi Australia's assets and liabilities are translated using respectivepublished exchange rates in effect at the unaudited condensed consolidated balance sheet date. Expenses and cash flows are translatedusing respective approximate weighted average exchange rates for the reporting period. Resulting foreign currency translation adjustmentsare recorded as other comprehensive income or loss, net of tax, in the unaudited condensed consolidated statements of comprehensive incomeor loss and included as a component of accumulated other comprehensive income or loss on the unaudited condensed consolidated balancesheets. For the three months ended March 31, 2024 and 2023, comprehensive loss includes such foreign currency translation adjustmentsand was insignificant for all periods presented.

ForeignCurrency Transaction Gains and Losses

Fortransactions denominated in currencies other than the U.S. dollar, the Company recognizes foreign currency transaction gains and lossesin the unaudited condensed consolidated statements of operations and classifies the gain or loss based on the nature of the item thatgenerated it. The Company's foreign currency transaction gains and losses are principally generated by intercompany transfers toStemVac denominated in Euros to pay for the research and development activities performed by StemVac under an intercompany developmentagreement with the Company. Furthermore, the Company's foreign currency transaction gains and losses include intercompany transfersto Calidi Australia denominated in AUD to pay for the research and development activities performed by Calidi Australia. These foreigncurrency remeasurement gains and losses are included in other income and expenses, net, and were insignificant for all periods presented.

Stock-Based Compensation

TheCompany recognizes compensation expense related to employee option grants and restricted stock grants, if any, in accordance with ASC718, Compensation - Stock Compensation ("ASC 718").

TheCompany measures all stock options and other stock-based awards granted based on the fair value of the award on the date of the grantand recognizes compensation expense for those awards over the requisite service period, which is generally the vesting period of therespective award. The Company has elected to recognize forfeitures as they occur. The reversal of compensation cost previously recognizedfor an award that is forfeited because of a failure to satisfy a service condition is recognized in the period of the forfeiture. Generallyand unless otherwise specified, the Company's grants stock options with service-based only vesting conditions and records the expensefor these awards using the straight-line method over the requisite service period.

TheCompany classifies stock-based compensation expense in its consolidated statements of operations in the same manner in which the awardrecipient's payroll costs are classified or in which the award recipients' service payments are classified.

TheCompany estimated the fair value of common stock through the date of the FLAG Merger using an appropriate valuation methodology,in accordance with the framework of the American Institute of Certified Public Accountants' Technical Practice Aid, Valuation ofPrivately-Held Company Equity Securities Issued as Compensation. Each valuation methodology includes estimates and assumptions that requirethe Company's judgment. These estimates and assumptions include a number of objective and subjective factors, including externalmarket conditions, guideline public company information, the prices at which the Company sold convertible preferred stock and commonstock to third parties in arms' length transactions, the rights and preferences of securities senior to the Company's commonstock at the time, and the likelihood of achieving a liquidity event such as an initial public offering or sale. Significant changesto the assumptions used in the valuations could result in materially different fair values of stock options at each valuation date, asapplicable. Following the FLAG Merger, the Company used the public price of its common stock.

Thefair value of each stock option grant is estimated using the Black-Scholes option-pricing model. The Company estimates its expected stockvolatility based on the historical volatility of a publicly traded set of peer companies within the biotechnology industry with characteristicssimilar to the Company. The expected term of the Company's stock options has been determined utilizing the "simplified"method for awards that qualify as "plain-vanilla" options provided under Staff Accounting Bulletin, Topic 14, or SAB Topic14, as necessary. The risk-free interest rate is determined by reference to the U.S. Treasury yield curve in effect at the time of grantof the award for time periods approximately equal to the expected term of the award. Expected dividend yield is zero, based on the factthat the Company has never paid cash dividends and does not expect to pay any cash dividends in the foreseeable future.

NetLoss per Common Share

Earningsper share attributable to common stockholders is calculated using the two-class method, which is an earnings allocation formula thatdetermines earnings per share for the holders of the Company's common shares and participating securities. Although the Company'shistorical Convertible Preferred Stock contained participating rights in any dividend declared and paid by the Company and were thereforeparticipating securities, the Convertible Preferred Stock had no stated dividends and the Company has never paid any cash dividends and doesnot plan to pay any dividends in the foreseeable future. Net loss attributable to common stockholders and participating securities isallocated to each share on an if-converted basis as if all of the earnings for the period had been distributed. However, the participatingsecurities do not include a contractual obligation to share in the losses of the Company and are not included in the calculation of netloss per share in the periods that have a net loss. In addition, common stock equivalent shares (whether or not participating) are excludedfrom the computation of diluted earnings per share in periods in which they have an anti-dilutive effect on net loss per common share.

Dilutednet loss per share is computed using the more dilutive of (a) the two-class method or (b) the if-converted method and treasury stockmethod, as applicable. Contingently convertible instruments werenot included for purposes of calculating the number of diluted shares outstanding as the number of dilutive shares is based on a conversioncontingency associated with the completion of a future financing event that had not occurred, and the contingency was not resolved, inthe reporting periods presented herein. In periods in which the Company reports a net loss attributable to common stockholders, dilutednet loss per share attributable to common stockholders is the same as basic net loss per share attributable to common stockholders sincedilutive common shares are not assumed to have been issued if their effect is anti-dilutive. Diluted net loss per share is equivalentto basic net loss per share for the periods presented herein because common stock equivalent shares from the Convertible Preferred Stock,convertible notes, stock option awards and outstanding warrants to purchase common stock (see Note 8) were antidilutive.

Asa result of the Company reported net loss attributable to common stockholders for all periods presented herein, the following commonstock equivalents were excluded from the computation of diluted net loss per common share for the three months ended March 31, 2024 and2023 because including them would have been antidilutive (in thousands):

Scheduleof Computation of Diluted Net Loss per Common Share including Antidilutive

	Three Months Ended March 31,	
	2024	2023 (4)
Earnout Shares	18,000	-
Warrants for common stock	13,412	1,686
Employee stock options	7,905	9,956
Convertible notes payable	1,924	196
Restricted stock units	40	-
Founders convertible preferred stock	-	4,330
Series A1 convertible preferred stock	-	1,797
Series A2 convertible preferred stock	-	1,059
Contingently issuable warrant (1)	-	-

Contingently convertible SAFE agreements (2)	-	-
Contingently convertible notes payable (3)	-	-
Total common stock equivalents	41,281	19,024

(1) The contingently issuable warrant was not included for purposes of calculating the number of diluted shares outstanding as of March 31, 2024, as the number of dilutive shares is based on a contingency not yet resolved as of period end and the contingently resulting number of dilutive shares is not determinable until the contingency is resolved.

(2) The contingently convertible notes payable were not included for purposes of calculating the number of diluted sharesoutstanding as of March 31, 2023, as the number of dilutiveshares is based on a conversion ratio associated with the pricing of a future financing event. Therefore, the contingently convertiblenotes payable's conversion ratio, and the resulting number of dilutive shares, was not determinable until the contingency was resolvedin September 2023. If the contingency were to have been resolved as of March 31, 2023, the number of antidilutive shares that would havebeen excluded from dilutive loss per share, when applying the conversion ratio, is estimated as 0.2 million as of March 31, 2023. Thecontingently convertible notes payable were converted in September 2023, per resolved contingency, and were therefore no longer outstandingat March 31, 2024.

(3) The contingently convertible SAFEs were not included for purposes of calculating the number of diluted shares outstandingas of March 31, 2023, as the number of dilutive shares is based on a conversion ratio associated with the pricing of a future financingevent. Therefore, the contingently convertible SAFE's conversion ratio, and the resulting number of dilutive shares, was not determinableuntil the contingency was resolved in September 2023. If the contingency were to have been resolved on those SAFEs as of March 31, 2023,the number of antidilutive shares that would have been excluded from dilutive loss per share, when applying the respective conversionratio, is estimated as 3.3 million as of March 31, 2023. The contingently convertible SAFEs were converted in September 2023, per resolvedcontingency, and were therefore no longer outstanding at March 31, 2024.

(4) Retroactively restated for reverse recapitalization.

Segments

TheCompany's executive management team, as a group, represents the entity's chief operating decision makers. To date, the Company'sexecutive management team has viewed the Company's operations as one segment that includes the research, development and commercializationefforts of cell-based platforms to potentiate oncolytic virus therapies. As a result, the financial information disclosed materiallyrepresents all of the financial information related to the Company's sole operating segment. Substantially all of the Company'sconsolidated operating activities, including its long-lived assets, are located within the U.S. and considering the Company's limitedrevenue operating stage, the Company currently has no concentration exposure to products or customers.

RecentlyAdopted Accounting Pronouncements

InJune 2022, the FASB issued ASU No. 2022-03, Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions ("ASU2022-03") which clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit ofaccount of the equity security and, therefore, is not considered in measuring fair value. ASU 2022-03 is effective for public businessentities for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2023. On January 1, 2024,the Company adopted ASU 2022-03 and the standard did not have any impact on its unaudited condensed consolidated financial statementsand related disclosures as the Company carries no such financial

instruments.

RecentlyIssued Accounting Pronouncements Not Yet Adopted

InNovember 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07,Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which requires public entities to disclose informationabout their reportable segments' significant expenses and other segment items on an interim and annual basis. Public entities witha single reportable segment are required to apply the disclosure requirements in ASU 2023-07, as well as all existing segment disclosuresand reconciliation requirements in ASC 280 on an interim and annual basis. ASU 2023-07 is effective for fiscal years beginning afterDecember 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. TheCompany is currently evaluating the impact of adopting ASU 2023-07.

InDecember 2023, the FASB issued ASU No. 2023-09, Improvements to Income Tax Disclosures (Topic 740). The ASU requires disaggregatedinformation about a reporting entity's effective tax rate reconciliation as well as additional information on income taxes paid.The ASU is effective on a prospective basis for annual periods beginning after December 15, 2024. Early adoption is also permitted forannual financial statements that have not yet been issued or made available for issuance. The Company is currently evaluating the impactof adopting ASU 2023-09.

3.
Fair Value Measurements

Thefollowing table presents the Company's assets and liabilities that are measured at fair value on a recurring basis, inclusive of relatedparty components, as of March 31, 2024 and December 31, 2023 (in thousands):

Scheduleof Assets and Liabilities that are Measured at Fair Value on a Recurring Basis

	Level 1	Level 2	Level 3	Total
	March 31, 2024			
	(unaudited)			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted cash held in a money market account	$ 218	$ -	$ -	$ 218
Forward Purchase Agreement Derivative Asset included in other noncurrent assets	-	-	57	57
Total assets, at fair value	$ 218	$ -	$ 57	$ 275
Liabilities:				
Public Warrants	$ 598	$ -	$ -	$ 598
Private warrants	-	99	-	99
Total warrant liabilities, at fair value	$ 598	$ 99	$ -	$ 697

	Level 1	Level 2	Level 3	Total
	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted cash held in a money market account	$ 218	$ -	$ -	$ 218
Forward Purchase Agreement Derivative Asset included in other noncurrent assets	-	-	230	230
Total assets, at fair value	$ 218	$ -	$ 230	$ 448
Liabilities:				
Public Warrants	$ 575	$ -	$ -	$ 575
Private warrants	-	96	-	96
Total warrant liabilities, at fair value	$ 575	$ 96	$ -	$ 671

TheCompany's financial instruments consist of cash, prepaid expenses and other current assets, accounts payable,accrued expenses, and other current liabilities. The carrying value of these financial instruments is generally considered to approximatetheir fair values because of the short-term nature of those instruments.

Thefollowing table presents the changes in fair value of valued instruments for the three months ended March 31, 2024 (in thousands):

Schedule of Changes in Fair Value of Level 3 Valued Instruments

	Forward Purchase Agreement Derivative Asset, at fair value	Public Warrants, at fair value	Private warrants, at fair value
Balance at January 1, 2024	$ ( ) 230	$ 575	$ 96
Proceeds from issuance			
Change in fair value	173	23	3
Balance at March 31, 2024	$ ( ) 57	$ 598	$ 99

Thefollowing table presents the changes in fair value of valued instruments for the three months ended March 31, 2023 (in thousands):

	Contingently issuable warrants, at fair value	Contingently convertible notes payable, including accrued interest, at fair value	SAFEs, at fair value
Balance at January 1, 2023	$ -	$ 1,152	$ 29,190
Balance	$ -	$ 1,152	$ 29,190
Proceeds from issuance	-	-	1,350
Change in fair value	69	287	1,157
Balance at March 31, 2023	$ 69	$ 1,439	$ 31,697
Balance	$ 69	$ 1,439	$ 31,697

4.
Selected Balance Sheet Components

DeferredFinancing Costs

Asof March 31, 2024 and December 31, 2023, there were approximately $ 0.3 million and $ 0 ,respectively, of deferred financing costs. These deferring financing costs consists of fees related to the SEPA financing (see Note 1 and Note 11), as wellas estimated fees related to the April Public Offering (see Note 12), and are included in other noncurrent assets on the accompanyingunaudited condensed consolidated balance sheet.

AccruedExpenses and Other Current Liabilities

Asof March 31, 2024 and December 31, 2023, accrued expenses and other current liabilities were comprised of the following (in thousands):

Scheduleof Accrued Expenses and Other Current Liabilities

	March 31, 2024	December 31, 2023
Accrued compensation (1)	$ 1,812	$ 1,720
Accrued vendor and other expenses	3,290	3,712
Accrued expenses and other current liabilities	$ 5,102	$ 5,432

(1) Includes deferred compensation for certain executives and deferred board and advisory fees for one director (see Note 11).

SeeNote 11 for additional commitments.

PrepaidExpenses and Other Current Assets

Asof March 31, 2024 and December 31, 2023, prepaid expenses and other current assets were comprised of the following (in thousands):

Scheduleof Prepaid Expenses and Other Current Assets

	March 31, 2024	December 31, 2023
Prepaid expenses	$ 270	$ 485
Prepaid insurance	279	284
CIRM receivable	-	1,360
Other	244	225
Prepaid expenses and other current assets	$ 793	$ 2,354

5.
Machinery and Equipment, net

Asof March 31, 2024 and December 31, 2023, machinery and equipment, net, was comprised of the following (in thousands):
Scheduleof Machinery and Equipment, Net

	March 31, 2024	December 31, 2023
Machinery and equipment	$ 2,251	$ 2,263
Accumulated depreciation	( )	( )
	1,086	993
Machinery and equipment, net	$ 1,165	$ 1,270

Depreciationexpense amounted to approximately $ 0.1 million for both the three months ended March 31, 2024 and 2023.

6.
Related Party Transactions

The Companyhas funded its operations to date primarily through private sales of convertible preferred stock, contingently convertible and convertiblepromissory notes, SAFEs and common stock. These investments have included various related parties, including from AJC Capital and certaindirectors as further discussed below.

Thefollowing table presents the various significant related party transactions and investments in the Company for the periods presented (in thousands):

Schedule of Related Party Transactions

Related Party	Description of investment or transaction	March 31, 2024	December 31, 2023
AJC Capital, Director A, Director E, and executive officer's family office	Current term notes payable, net of discount, including accrued interest (1)	2,455	278
AJC Capital, Director D, and relative of Officer A	Accounts payable and accrued expenses (2)	117	104
Relative of Officer A	Loan Payable (6)	205	-
Director D	Former President and Chief Operating Officer (3)	495	495
Director A	Advisory services included in accrued expenses (4)	18	18
AJC Capital	Lease guaranty (5)	171	167
Director A	Noncurrent term notes payable including accrued interest	-	2,060

	(1)		
Director A	Other liabilities	567	538
	(8)		
AJC Capital and Director A	Warrant Liability	50	48
	(7)		
AJC Capital and Director A	Warrant Liability	50	48
	(7)		

(1) As of March 31, 2024, related party term note payable amounts due to AJC Capital, Directors A, E, and an executive's officer's family office totaling $ 2.5 million, inclusive of principal amounts totaling $ 2.0 million and accrued interest amounts totaling $ 0.5 million, have been classified as a short term liability on the accompanying unaudited condensed consolidated balance sheets. See Notes 8 and 10 for further details.

(2) Amounts owed to AJC Capital as of March 31, 2024, for primarily rent expense for temporary use of personal house for company office space in 2020; in addition, amounts owed to AJC Capital and Director D for certain consulting expenses and amounts due to a relative of Officer A for certain legal fees, included in accounts payable and accrued expenses as of March 31, 2024.

(3) On February 1, 2022, the Company appointed a current board member (Director D referenced above), George K. Ng, as President and Chief Operating Officer of the Company under an Employment Agreement (the "Ng Agreement"). Under the Ng Agreement, Mr. Ng is entitled to a base annual salary of $ 0.5 million, a signing bonus of $ 0.3 million, payable in three equal monthly installments. Mr. Ng was eligible for standard change in control and severance benefits. On June 23, 2023, the Company entered into a Separation and Release Agreement with Mr. Ng which includes a severance accrual as of March 31, 2024 (see Note 11).

(4) On April 1, 2022, the Company entered into an Advisory Agreement with Scott Leftwich (Director A referenced above), for providing certain strategic and advisory services. Director A will receive an advisory fee of $ 9,166 per month not to exceed $ 0.1 million per annum, accrued and payable upon the Company raising $ 10 million or more in equity proceeds, as defined in the Advisory Agreement. The Advisory Agreement terminated on August 31, 2023.

(5) In October 2022, in order for the Company to secure and execute the San Diego Lease discussed in Note 11, Mr. Allan Camaisa provided a personal Guaranty of Lease of (the "Guaranty") up to $ 0.9 million to the lessor for the Company 's future performance under the San Diego Lease agreement. As consideration for the Guaranty, the Company agreed to pay Mr. Camaisa 10% of the Guaranty amount for the first year of the San Diego Lease, and 5% per annum of the Guaranty amount thereafter through the life of the lease, with all amounts accrued and payable at the termination of the San Diego Lease or release of Mr. Camaisa from the Guaranty by the lessor, whichever occurs first. The amount shown in the table above, represents the present value, including accrued interest as of the period shown, of the aggregate $

0.2
million payment due to Mr. Camaisa
upon the release or termination of the
Guaranty, which is included in noncurrent
operating lease right-of-use liability.

(6) In January 2024, the Company entered into a loan agreement with a relative of Officer A for a loan payable for $
0.2
million, payable on January 19, 2025. The $
0.2
million loan bears interest at
12
%.

(7) See Note 8 for disclosures around Warrants.

(8) In August 2023, the Company entered into an agreement with Director A for deferred compensation including advisory fees for $
0.5
million, payable on January 1, 2025. The $
0.5
million note bears interest at
24
%.

7.
Debt

The Company'soutstanding debt obligations as of March 31, 2024 and December 31, 2023, including related party components, are as follows (in thousands):

Schedule of Outstanding Debt Obligations

	March 31, 2024				
	Unpaid Balance	Fair Value Measurements	Discount	Accrued Interest	Net Carrying Value
Convertible notes payable	$ 4,500	$ -	$ ( ) 147	$ 43	$ 4,396
Term notes payable	2,500	-	( ) 7	517	3,010
Bridge loan payable	200	-	-	5	205
Total debt	$ 7,200	$ -	$ ( ) 154	$ 565	$ 7,611
Less: current portion of long-term debt					( ) 4,236
Long-term debt, net of current portion					$ 3,375

	December 31, 2023				
	Unpaid Balance	Fair Value Measurements	Discount	Accrued Interest	Net Carrying Value
Term notes payable	$ 2,500	$ -	$ ( ) 21	$ 388	$ 2,867
Total debt	$ 2,500	$ -	$ ( ) 21	$ 388	$ 2,867
Less: current portion of long-term debt					( ) 807
Long-term debt, net of current portion					$ 2,060

24

Scheduledmaturities of outstanding debt, net of discounts as of March 31, 2024

are as follows (in thousands):

Schedule of Maturities of Outstanding Debt

Year Ending December 31:	
2024 (April - December)	$ 750
2025	2,950
2026	-
2027	-
2028 and thereafter	3,500
Plus: accrued interest	565
Less: Discount	( )
	154
Total debt	$ 7,611

Thefollowing discussion includes a description of the Company's outstanding debt as of March 31, 2024 and December 31, 2023. The weightedaverage interest rate related to the Company's outstanding debt was approximately 13.5 %and 15.1 %as of March 31, 2024 and December 31, 2023, respectively. Interest expense related to the Company's outstanding debt totaled approximately$ 0.3 millionand $ 0.2 millionfor the three months ended March 31, 2024 and 2023, respectively, which is reported within other income and expense, net, in the unauditedcondensed consolidated statements of operations. Interest expense includes interest on outstanding borrowings and the amortization ofdiscounts associated with debt issuance costs or from the allocation of proceeds to freestanding common stock or warrants as part ofthe relevant financing transactions.

TermNotes Payable

2021 Term Notes Payable

In January 2021, Calidi enteredinto a note agreement with a related party investor and director to borrow up to $ 0.5 million ("2021 Term Note").

In connection with the closingof the FLAG Merger on September 12, 2023, the 2021 Term Note plus accrued interest was amended, with an extended maturity date of January1, 2025. For this holder, a related party, Calidi agreed to accrue an interest rate of 24 % per annum payable with principal at maturity,and offered certain incentives, including 500,000 warrants to purchase common stock, fair valued at approximately $ 0.1 million at thetime of the amendment.

As of March 31, 2024 and December 31, 2023, the interest rate of the 2021 Term Notes was 24 % and the total carryingvalue, including accrued interest was approximately $ 0.6 million.

2022Term Notes Payable

InNovember and December 2022, the Company issued $ 1.5 million of secured term notes payable (the "2022 Term Notes") to investors,including to related parties (see Note 6).

OnSeptember 12, 2023, with regard to the 2022 Term Notes, approximately $ 0.5 millionof principal plus accrued interest was amended, extending maturity of the notes to dates ranging from November 2023 to January 2025.Further, approximately $ 1.0 millionof principal, excluding accrued interest, was settled with shares of common stock issued to the noteholders.
Forthe term notes that were amended, all to related parties, $0.2 million of principal was extended to mature on November 1, 2023, $0.2million of principal was extended to mature on March 1, 2024, and in February 2024 further extended

to mature on May 1, 2024, and$0.2 million of principal was extended to mature on January 1, 2025.
Thedebt amendments occurred close to or upon the stated maturity date and resulted in the application of extinguishment accounting inaccordance with ASC 470-50. For the term loans that were settled with shares of common stock, the debt settlement occurred near orat the stated maturity and resulted in the application of extinguishment accounting in accordance withASC 470-50.

OnOctober 3, 2023, the Company settled in cash $
0.1
million of principalof 2022 Term Notes plus accrued interest and said term notes payable were no longer outstanding as of that date.

OnNovember 8, 2023, the Company settled in cash $
0.2
million of principal of 2022Term Notes plus accrued interest and said term notes payable were no longer outstanding as of that date.

OnMarch 1, 2024, the maturity date of $
0.2
million of the 2022 Term Note was extended to
May 1, 2024
. The amended 2022 Term Note will accrueinterest at
16
% per annum commencing on March 1, 2024. All other terms and conditions remained substantially unchanged. The debt amendmentoccurred close to or upon the stated maturity date and resulted in the application of extinguishment accounting in accordance with ASC470-50. The carrying value of the original notes equals the fair value at extinguishment date, which resulted in no gain or loss recordedin the unaudited condensed consolidated statement of operations.

Asof March 31, 2024 and December 31, 2023, the interest rate of the 2022 Term Notes was
24
% per annum for a total principal of $
0.2
million,and
16
% and
15
% per annum for a total principal of $
0.2
million, respectively. As of March 31, 2024 and December 31, 2023, the totalcarrying value, including accrued interest, was $
0.4
million.

OnApril 12, 2024, the maturity date of $
0.2
million of the 2022 Term Note was extended to
January 1, 2025
. All other terms and conditionsremained substantially unchanged. The debt amendment occurred close to or upon the stated maturity date and resulted in the applicationof extinguishment accounting in accordance with ASC 470-50. The carrying value of the original notes equals the fair value at extinguishmentdate , which resulted in no gain or loss recorded in the unaudited condensed consolidated statement of operations. See Note 12 for furtherdetails over subsequent events.

2023Term Notes Payable

FromJanuary through September 2023, the Company issued $
3.3
million of secured term notes payable (the "2023 Term Notes") to investors,including to related parties (see Note 6).

OnSeptember 12, 2023, approximately $
1.2
million of principal plus accrued interest wasamended, extending maturity of the notes to January 1, 2025. Further, approximately $
1.0
million of principal, excluding accrued interest,was settled with shares of common stock issued to the noteholders. For the term notes that were amended, all which were extended to January1, 2025 by the holder, a related party, the Company agreed to accrue an interest rate of
24
%per annum payable with principal at maturity. The debt amendment occurred close to or upon the stated maturity date and resulted in theapplication of

extinguishment accounting in accordance with ASC 470-50.
For the term loans that were settled with shares of commonstock, the settlement resulted in the issuance of
197,344
shares of common stock with a fair value of $
1.1
million. The debt settlement occurred near or at the stated maturity and resulted in the application of extinguishment accountingin accordance with ASC 470-50.

OnOctober 3, 2023, the Company settled in cash $
0.6
million of principalof 2023 Term Notes plus accrued interest and said term notes payable were no longer outstanding as of that date.

Asof March 31, 2024 and December 31, 2023, the interest rate of the 2023 Term Notes was
24
% per annum for a total principal of $
1.1
millionand
14
% per annum for a total principal of $
0.6
million. As of March 31, 2024 and December 31, 2023, the total carrying value, includingaccrued interest and net of debt discount, was $
2.0
million and $
1.9
million, respectively.

OnApril 12, 2024, the maturity date of $
0.3
million of the 2023 Term Note was extended to
January1, 2025
. Approximately $
0.2
million of the amended 2023 Term Note will accrueinterest at
18
%per annum commencing on April 12, 2024, while the interest rate of the other $
0.1
million of the amended 2023 Term Note will remainunchanged. All other terms and conditions remained substantially unchanged. The debt amendment occurred close to or upon the stated maturitydate and resulted in the application of extinguishment accounting in accordance with ASC 470-50. The carrying value of the original notesequals the fair value at extinguishment date, which resulted in no gain or loss recorded in the unaudited condensed consolidated statementof operations. See Note 12 for further details over subsequent events.

2024Bridge Loan

OnJanuary 19, 2024, the Company received approximately $
0.2
million in aggregate proceeds from the issuance of certain bridge loans (the"2024 Bridge Loan"), which mature
one year
from the issuance date and bear simple interest of
12
% per annum. As considerationfor the 2024 Term Loans, the Company agreed to issue an aggregate of
8,929
shares of restricted common stock to the Lender.

Asof March 31, 2024, the total carrying value of the 2024 Bridge Loan, including accrued interest and net of debt discount, was $
0.2
million.

ConvertiblePromissory Notes

OnJanuary 26, 2024, the Company entered into a convertible promissory note

purchase agreement (the "2024 Purchase Agreement")with an Accredited Investor (the "Investor") for a loan in the principal amount of $ 1.0 million (the "2024 ConvertibleNote Loan"). In connection with the Convertible Note Loan, the Company issued a one-year convertible promissory note evidencingthe aggregate principal amount of $ 1.0 million under the Loan, which accrues at a 12.0 % simple interest rate per annum (the "2024Convertible Note").

The2024 Convertible Note also provides the Investor a voluntary right to convert all, but not less than all, the Principal Amount and accruedinterest into shares of the Company's common stock at a conversion rate equal to a 10% discount to the 10-day VWAP as determinedimmediately before January 26, 2024. In addition, upon such voluntary conversion by the Investor, the Investor will be entitled to awarrant for 50% of the number of shares of the Company's common stock issued upon the Note conversion at an exercise equal to 120%of the Conversion Price (the "2024 Note Warrant"). In the event the Company consummates a public offering prior to the maturitydate of the 2024 Convertible Note, the 2024 Convertible Note and accrued interest will be subject to a mandatory conversion into theequity securities of the Company issued and sold to investors in such public offering, equal to the price per share of the equity securitysold to other purchasers and subject to similar terms and conditions of such public offering, except that such equity securities receivedunder a mandatory conversion will be restricted securities

.

Asof March 31, 2024, the total carrying value of the Convertible Note, including accrued interest and net of debt discount, was $ 1.0 million.

On April 18, 2024, pursuant tothe April Public Offering (see Note 12), the Company's $ 1.0 million convertible note, inclusive of outstanding principal and accruedinterest , was automatically converted into restricted shares of common stock at a conversion rate of $ 0.40 per common stock unit. As ofthat date, the convertible note was no longer outstanding (see Note 12).

ConvertiblePromissory Notes and Unasserted Claim Settlement

OnMarch 8, 2024, the Company entered into settlement agreement ("Settlement Agreement") with an investor who previously enterinto a series of related agreements including (i) an agreement with Calidi Cure to fund the purchase of Calidi Series B Preferred Stock;(ii) a Non-Redemption Agreement with the Company; (iii) an OTC Equity Prepaid Forward Purchase Agreement with the Company; and (iv) aSubscription Agreement with the Company (items (i) through (iv) collectively "the Supplemental Funding Agreements") for thepurpose of satisfying the "Minimum Cash Condition" required under the Business Combination agreement between First LightAcquisition Group, Inc., and Calidi Biotherapeutics, Inc., a Nevada corporation among others. Pursuant to the Settlement Agreement, (i)the investor purchased a $ 2.0 million convertible note from the Company for cash and (ii) the Company issued to the investor a $ 1.5 millionconvertible note in consideration for the settlement of all claims related to the Supplemental Funding Agreements. The $ 2.0 million convertiblenote and $ 1.5 million convertible note are collectively herein referred to as the "Convertible Notes". The Convertible Notesbear semiannual interest at

10.0 % per annum and each mature on March 8, 2028, unless due earlier due to an event of a default. Afterthe earlier of 180 days or the effective date of a registration statement registering the Company's common stock underlying theConvertible Notes, the Company may prepay the Convertible Notes, including any interest earned thereon, without penalty. The ConvertibleNotes provide the Investor a right to convert in whole or in part , the Principal Amount (as defined in the Convertible Notes) and accruedinterest earned thereon into shares of the Company's common stock at an initial note conversion price equal to 94.0

% of the 10-dayVWAP ending the business day preceding execution of the Convertible Notes, subject to a reset note conversion price equal to
94.0
% of10-day VWAP ending on the thirtieth (30th) day after the effective date of the registration statement registering the common stock underlyingthe Convertible Notes. In the event the Company completes a financing (i) of at least $
8
million in an offering registered with the SEC;or (ii) of at least $
2
million with a non-affiliated purchaser at an effective price of at least
150.0
% of the initial note conversionprice, then the Convertible Notes will be subject to mandatory conversion at the lower of the initial note conversion price and resetnote conversion price.

Asof March 31, 2024, the total carrying value of the Convertible Note, including accrued interest and net of debt discount, was $
3.4
million.

OnApril 14, 2024, the $
1.5
million convertible note agreement was amended to include a mandatory prepayment of the entire convertible noteupon the closing of a public offering of the Company's securities registered with the Securities and Exchange Commission in whichHolder participates in an amount equal to the principal amount of the convertible note. All other terms and conditions remained substantiallyunchanged. As no concession was granted as part of the amendment and the present value of the cash flows under the new debt instrumentdid not differ from the present value of the remaining cash flows under the terms of the original debt instrument, it was determinedthat the debt was not substantially different which resulted in modification accounting in accordance with ASC 470-50. The carrying valueof the original notes equaled the fair value at modification date, which resulted in no adjustment to the debt's carrying value.See Note 12 for further details over subsequent events.

OnApril 19, 2024, the $
1.5
million convertible note was paid in full uponthe closing of a public offering by the Company, in which the Holder participated in an amount equal to the principal amount of the convertiblenote. As of that date, the convertible note was no longer outstanding. See Note 12 for further details over subsequent events.

8.
Convertible Preferred Stock, Common Stock and Stockholders' Deficit

PreferredStock

Pursuantto the Second Amended and Restated Certificate of Incorporation filed on September 19, 2023 ("the Amended Articles"), theCompany is authorized to issue a total of
1,000,000
shares of preferred stock, par value $
0.0001
per share. As of March 31, 2024, therewere
no
shares of preferred stock outstanding.

ConvertiblePreferred Stock

Inconnection with the closing of the FLAG Merger on September 12, 2023, all Convertible Preferred Stock, including the Series B ConvertiblePreferred stock classified as a liability which were completed as to the Series B financing, were converted to common stock pursuantto the conversion provisions and are no longer outstanding as of December 31, 2023.

CommonStock

Pursuantto the Second Amended and Restated Certificate of Incorporation, the Company is authorized to issue 330,000,000 shares of common stock,par value $ 0.0001 per share, of which 312,000,000 shares are designated as Voting Common Stock ("Common Stock") and 18,000,000 are designated as Non-Voting Common Stock (the "Non-Voting Common Stock"). As of March 31, 2024 and December 31, 2023, therewere 35,726,784 and 35,522,230 shares of common stock issued and outstanding, respectively, and 18,000,000 shares of non-voting commonstock outstanding. Since inception to date, no dividends have been declared or paid. Issuance costs related to common stock issuancesduring all periods presented were immaterial.

Duringthe three months ended March 31, 2024, the Company issued 50,000 shares of common stock in lieu of cash for certain marketing services (see Note 11), 138,750 shares of common stock in lieu of cash for payment of a commitment fee related to the Company's SEPA agreement (see Note 11),and 15,804 shares of common stock issued to a stockholder as a result of the FLAG Merger (see Note 1).

Duringthe three months ended March 31, 2023, The Company issued 156,089 shares of common stock from exercises of stock options (see Note 9), and 29,752 shares of common stock in lieu of cash interest in conjunction with certain term note agreements.

Asof March 31, 2024, common stock reserved for future issuance consisted of the following:

Schedule of Common Stock Reserved

Common stock warrants outstanding	13,812,154
Common stock options issued and outstanding	7,904,901
Restricted stock units vested and unreleased	40,218
Shares available for future issuance under the 2023 Equity Incentive Plan	3,559,587
Shares reserved under the 2023 Employee Stock Purchase Plan	3,937,802
Common stock reserved for future issuance	29,254,662

There are 35,726,784 and 35,522,230 shares of the Company's common stock issued andoutstanding as of March 31, 2024 and December 31, 2023, respectively.

Warrants

Asof March 31, 2024, there were 13,812,154 warrantsto purchase Common Stock outstanding, consisting of 11,500,000 PublicWarrants, 1,912,154 Private Warrants and 400,000 warrants to purchase Restricted Shares.

PublicWarrants

Inconnection with the closing of the FLAG Merger on September 12, 2023, the

Company assumed
11,500,000
public warrants to purchase common stock with an exercise price of $
11.50
per share (the "Public Warrants"). The Public Warrants became exercisable 30 days after the closing of the FLAG Merger. Each whole share of the warrant is exercisable for oneshare of the Company's common stock.

TheCompany may redeem the outstanding Public Warrants for $
0.01
per warrant upon at least
30
days' prior written notice of redemptiongiven after the warrants become exercisable, if the reported last sale price of the common stock equals or exceeds $
18.00
per share (asadjusted for stock dividends, sub-divisions, reorganizations, recapitalizations and the like) for any 20 trading days within a 30-tradingday period commencing after the warrants become exercisable and ending on the third trading day before the Company sends the notice ofredemption to the warrant holders. Upon issuance of a redemption notice by the Company, the warrant holders may, at any time after theredemption notice, exercise the public warrants on a cashless basis.

TheCompany accounts for the Public Warrants in accordance with the guidance contained in ASC 815-40. Such guidance provides that becausethe warrants do not meet the criteria for equity treatment thereunder, each warrant must be recorded as a liability.

Theaccounting treatment of derivative financial instruments in accordance with ASC 815,
Derivatives and Hedging,
requires that theCompany record a derivative liability upon the closing of the FLAG Merger. Accordingly, the Company classifies each warrant as a liabilityat its fair value and the warrants were allocated a portion of the proceeds from the issuance of the Units equal to its fair value. Thisliability is subject to re-measurement at each balance sheet date. With each such re-measurement, the warrant liability will be adjustedto fair value, with the change in fair value recognized in the Company's statement of operations. The Company will reassess theclassification at each balance sheet date. If the classification changes as a result of events during the period, the warrants will bereclassified as of the date of the event that causes the reclassification.

Asof March 31, 2024, all
11,500,000
Public Warrants remain outstanding.

Private Warrants

Inconnection with the closing of the FLAG Merger on September 12, 2023, the Company assumed
1,912,514
private warrants to purchase common stock with an exercise price of $
11.50
per share (the "Private Warrants"). The Private Warrants (and shares of common stock issued or issuable upon exercise of the Private Warrants) in general, will not be transferable, assignable or salable until 30 days after the Closing (excluding permittedtransferees) and they will not be redeemable under certain redemption scenarios by us so long as they are held by the Sponsor,Metric or their respective permitted transferees. Otherwise, the Private Warrants have terms and provisions that areidentical to those of the Public Warrants, including as to exercise price, exercisability and exercise period. If the Private Warrants are held by holders other than the Company's sponsor, Metric or their respective permitted transferees, thePrivate Warrants will be redeemable by the Company under all redemption scenarios and exercisable by the holders on thesame basis as the Public Warrants.

As of March 31, 2024, all
1,912,514
Private Warrants remain outstanding.

Warrants to Purchase Restricted Shares

OnFebruary 21, 2024, in connection with a settlement agreement (see Note 11), the Company issued an additional 400,000 warrants to purchaseRestricted Shares which (i) has an exercise price equal to $ 1.32 ; and (ii) are exercisable for 5 years after the date of issuance ofthe warrants, subject to the terms set forth in such warrant.

Asof March 31, 2024, all 400,000 warrants to purchase Restricted Shares remain outstanding.

Thefollowing table summarizes the Company's aggregate warrant activity for the three months March 31, 2024.

Schedule of Warrant Activity

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
Outstanding at January 1, 2024	13,412,154	$ 11.50	4.72
Issued	400,000	-	
Exercised	-		
Cancelled	-		
Outstanding at March 31, 2024	13,812,154	$ 11.21	4.47

9. Stock-Based Compensation

EquityIncentive Plans

Priorto January 1, 2019, the Company adopted the 2016 Stock Plan (the "2016 Plan") under which the Company was authorized togrant stock options, restricted stock, a stock appreciation right, or a restricted stock unit award. In June 2019, the Company adoptedthe 2019 Equity Incentive Plan (the "2019 Plan") to replace the 2016 Plan. Other than the change of plan name andincorporation state, all the terms of the 2016 Plan were carried over into the 2019 Plan. In adopting the 2019 Plan, the Companyterminated the 2016 Plan and may no longer grant any additional stock options or sell any stock under restricted stock purchaseagreements under the 2016 Plan~ however, stock options issued under the 2016 Plan will continue to be in effect in accordancewith their terms and the terms of the 2019 Plan, which are substantially the same terms as the 2016 Plan, until the exercise orexpiration of the individual options awards. In connection with the Business Combination, the Company assumed the options grantedunder the 2019 Plan. Upon completion of the Business Combination on September 12, 2023, the Company adopted the 2023 EquityIncentive Plan (the "2023 Plan"). Since the 2019 Plan was not assumed by the Company, the Company may no longer grantany additional stock options or sell any stock under restricted stock purchase agreements under the 2019 Plan~ however, stockoptions issued under the 2019 Plan will continue to be in effect in accordance with their terms and the terms of the 2023 Plan untilthe exercise or expiration of the individual options awards.

The2019 Plan reserved the right for the Board of Directors as the administrator of the plan (the "Administrator") to issue upto shares pursuant to 20,000,000 (pre-Business Combination) equity awards, which was increased to up to 25,500,000 (pre-Business Combination)in May 2022, including stock options ("Options"), restricted stock awards ("Restricted Stock"), dividend equivalentsawards, stock payment awards, restricted stock units ("RSUs") and/or stock appreciation rights ("SARs", togetherwith Options, Restricted Stock and RSUs, "Awards"), according to its discretion. Awards may be granted under the 2019 Planto our employees, directors, and consultants. As of March 31, 2024, the Administrator has not issued any Restricted Stock, RSUs, dividendequivalents awards, stock payment awards or SARs. Stock options remain as the sole

outstanding type of award under the 2019 Plans.

Underthe 2019 Plan, awards may vest and thereby become exercisable or have restrictions on forfeiture lapse on the date of grant or in periodicinstallments or upon the attainment of performance goals, or upon the occurrence of specified events depending on the Administrator'sdiscretion. The Administrator has broad authority to determine the terms and conditions of any Award granted pursuant to the 2019 Planincluding, but not limited to, the exercise price, grant price, or purchase price, any reload provision, any restrictions or limitationson the Award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerationsor waivers thereof as the Administrator, in its sole discretion may determine.

NoAwards may be granted under the 2019 Plan with a term of more than ten years and no Awards granted may be exercised after the expirationof ten years from the date of grant.

The2023 Plan reserved the right for the Compensation Committee or by the Board of Directors acting as the Compensation Committee, as theadministrator of the plan (the "Administrator") to issue up to
3,937,802
equity awards, including stock options ("Options"),restricted stock awards ("Restricted Stock"), dividend equivalents awards, stock payment awards, restricted stock units ("RSUs")and/or stock appreciation rights ("SARs", together with Options, Restricted Stock and RSUs, "Awards"), accordingto its discretion. Awards may be granted under the 2023 Plan to our employees, directors, and consultants. As of March 31, 2024, theAdministrator has issued RSUs and stock options under the 2023 Plan.

Underthe 2023 Plan, Awards may vest and thereby become exercisable or have restrictions on forfeiture lapse on the date of grant or in periodicinstallments or upon the attainment of performance goals, or upon the occurrence of specified events depending on the Administrator'sdiscretion. The Administrator has broad authority to determine the terms and conditions of any Award granted pursuant to the 2023 Planincluding, but not limited to, the exercise price, grant price, or purchase price, any reload provision, any restrictions or limitationson the Award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerationsor waivers thereof as the Administrator, in its sole discretion may determine.

NoAwards may be granted under the 2023 Plan with a term of more than ten years and no Awards granted may be exercised after the expirationof ten years from the date of grant.

OnSeptember 12, 2023, upon closing of the FLAG Merger, the number of equity awards issued and available for grant were retrospectivelyadjusted pursuant to the conversion ratio of approximately
0.42
. The mechanism of conversion resulted in the fair value of each optionprior to the Closing equal to the fair value of each option after. All stock option activity presented in these statements has been retrospectivelyadjusted to reflect the conversion.

2023Employee Stock Purchase Plan ("ESPP")

OnAugust 28, 2023, the Company approved the 2023 Employee Stock Purchase Plan, hereinafter the 2023 ESPP, which became effective on theconsummation of the FLAG Merger. Under the 2023 ESPP, eligible employees may purchase a limited number of shares of commonstock at a discount of up to
15
% of the market value of such stock at pre-determined and plan-defined dates. There were no shares issuedunder the 2023 ESPP during the three months ended March 31, 2024.

StockOptions

Optionsgranted under the 2019 Plan and 2023 Plan may be either "incentive stock options" within the meaning of Section 422(b) ofthe Internal Revenue Code of 1986, as amended (the "Code"), or "non-qualified" stock options that do not qualifyincentive stock options. Incentive stock options may be granted only to the Company's employees and employees of domestic subsidiaries, as applicable.
The exercise price of stock options shall be equal to or greater than the fair

market value of common stock on the date the optionis granted. In the case of an optionee who, at the time of grant, owns more than 10% of the combined voting power of all classes of stock, the exercise price of any incentive stock option must be at least 110% of the fair market value of the common stock on the grantdate, and the term of the option may be no longer than five years. The aggregate fair market value of common stock (determined as ofthe grant date of the option) with respect to which incentive stock options become exercisable for the first time by an optionee in anycalendar year may not exceed $0.1 million, otherwise it will be classified as a Non-Qualified Stock Option.

Theexercise price of an option may be payable in cash or in common stock, or in a combination of cash and common stock, or other legal considerationfor the issuance of stock as the Board or Administrator may approve.

Generally, options vest over four years and will be exercisable only while the optionee remains an employee, director or consultant, or during thethree months thereafter, but in the case of the termination of an employee, director, or consultant's services due to death ordisability, the period for exercising a vested option shall be extended to the earlier of twelve months after termination or the expirationdate of the option.

Optionawards activity

Asummary of the 2023 Plan option activity and related information follows (in thousands except weighted average exercise price):

Summary of Stock Option Activity

	Number of Options Outstanding	Weighted Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2024	7,871	$ 2.58	5.82	$ 2,639
Options granted	45	1.51		
Options exercised	-	-		
Options forfeited or cancelled	( )	4.32		
	11			
Outstanding at March 31, 2024	7,905	$ 2.57	5.78	$ 28,137
Exercisable at March 31, 2024	6,388	$ 2.03	5.22	$ 28,137

Restrictedstock units

Asummary of the 2023 Plan restricted stock unit (RSU) activity and related information follows (in thousands except weighted average grantdate fair value):

Summaryof Restricted Stock Unit Activity

	Number of Units Outstanding	Weighted Average Grant-Date Fair Value
Balance at January 1, 2024	40	$ 1.80
Granted	-	$ -
Vested	-	$ -
Balance at March 31, 2024	40	$ 1.80
Vested and unreleased	40	$ 1.80
Outstanding at March 31, 2024	40	$ 1.80

The Companyrecorded stock-based compensation expense in the following categories on the accompanying unaudited condensed consolidated statementsof operations for the periods presented (in thousands):

Schedule of Stock-Based Compensation Expense

	2024	2023
	Three Months Ended March 31,	
	2024	2023

Research and development	$ 203	$ 330
General and administrative	685	1,104
Total stock-based compensation expense	$ 888	$ 1,434

OnJanuary 18, 2023, the Board approved a repricing of approximately 1.5 million stock options previously granted at an exercise price of$ 9.27 per share to the then current fair value of $ 7.11 per share pursuant to an updated valuation report. The threemonths ended March 31, 2024 and 2023 includes a noncash compensation charge of approximately $ 21,000 and $ 0.1 million, respectively,in connection with this repricing. The stock option repricing and the acceleration of vesting were accounted for as a modificationunder ASC 718.

Asof March 31, 2024, the total unamortized stock-based compensation expense related to stock options was approximately $ 6.2 million expectedto be amortized over an estimated weighted average life of 1.94 years. The weighted-average estimated fair value of stock options withservice-conditions granted during the three months ended March 31, 2024 and 2023 was $ 1.12 and $ 5.36 per share, respectively, using theBlack-Scholes option pricing model with the following weighted-average assumptions:

Schedule of Stock Options Valuation Assumptions

	Three Months Ended March 31,	
	2024	2023
Expected volatility	88.54 %	89.8 %
Risk-free interest rate	3.93 %	3.76 %
Expected option life (in years)	5.77	5.88
Expected dividend yield	0.0 %	0.0 %

TheCompany does not recognize deferred income taxes for incentive stock option compensation expense and records a tax deduction only whena disqualified disposition has occurred.

Inconnection with the closing of the FLAG Merger on September 12, 2023, all stock options underlying of the 2019 Plan were assumed by NewCalidi at the appropriate conversion ratio and the legacy Calidi 2019 Plan was terminated.

10.
Income Taxes

Theprovision for income taxes for interim periods is determined using an estimated annual effective tax rate. The effective tax rate maybe subject to fluctuations during the year as new information is obtained, which may affect the assumptions used to estimate the annualeffective tax rate, including factors such as valuation allowances against deferred tax assets, the recognition or de-recognition oftax benefits related to uncertain tax positions, if any, and changes in or the interpretation of tax laws in jurisdictions where the Companyconducts business.

Forthe three months ended March 31, 2024 and 2023, the Company did not record any federal or state income tax provision or benefit due tonet losses incurred for all periods presented. The Company's net deferred tax assets generated mainly from net operating losses arefully offset by a valuation allowance as the Company believes it is not more likely than not that the benefit will be realized. StemVac'sincome tax provision in Germany for all periods presented was insignificant.

11.
Commitments and Contingencies

Operatingand financing leases

OnOctober 10, 2022, the Company entered into an Office Lease Agreement (the "San Diego Lease") of a building containing
15,197
squarefeet of rentable space located in San Diego, California (the "Premises") that will serve as the Company's new principalexecutive and administrative offices and laboratory facility. The Company completed constructing tenant improvements at the Premises on February27, 2023, and moved into the Premises by end of March 2023.

Tosecure and execute the San Diego Lease, Mr. Allan Camaisa provided a personal Guaranty of Lease of up to $
900,000
(the "Guaranty")to the lessor for the Company's future performance under the San Diego Lease agreement.
As consideration for the Guaranty, the Company agreedto pay Mr. Camaisa 10% of the Guaranty amount for the first year of the San Diego Lease, and 5% per annum of the Guaranty amount thereafterthrough the life of the lease
, with all amounts accrued and payable at the termination of the San Diego Lease or release of Mr. Camaisafrom the Guaranty by the lessor, whichever occurs first.

TheSan Diego Lease has an initial term of
48
calendar months, from the first day of the first full month following which the "CommencementDate" occurs (the "Term"), which was March 1, 2023.

Beginningon the Commencement Date, the Company pays base monthly rent in the amount of $
0.1
million during the first 12 months of the Term, plus a management fee equal to
3.0
%of base rent. Base monthly rent will increase annually, over the base monthly rent then in effect, by
3.0
%.

Inaddition to base monthly rent and management fees, the Company will pay in monthly installments its share of (a) all costs and expenses, otherthan certain excluded expenses, incurred by the lessor in each calendar year in connection with operating, maintaining, repairing (includingreplacements if repairs are not feasible or would not be effective) and managing the Premises and the building in which the Premisesare located ("Expenses"), and (b) all real estate taxes and assessments on the Premises and the building in which the Premisesare located, all personal property taxes for property that is owned by Landlord and used in connection with the operation, maintenanceand repair of the Premises ("Taxes").

Uponexecution of the San Diego Lease, the Company provided the lessor a payment of $
0.1
million as first month base rent and prepaid operating expenses, and a letter of credit in the amount of $
0.1
million issued by a bank in the name of the lessor. To obtain the letter of credit, the Company has provided the issuing bank with arestricted cash deposit that the bank will hold to cover its obligation to pay any draws on the letter of credit by the lessor. Therestricted cash may not be used for any other purpose (see Note 2). The prepaid rent was included in the initial accounting of theSan Diego Lease in accordance with operating leases under ASC 842, as presented in the tables below.

OnApril 1, 2022, StemVac entered into an office lease which includes laboratory space which expires on March 31, 2027, with monthly paymentsof

4,047
Euros per month.

Operatinglease expense recognized in accordance with ASC 842 during the three months ended March 31, 2024 and 2023 was approximately $
0.4
millionand $
0.1
million, respectively.

The Companyis also party to certain financing leases for machinery and equipment (see Note 5).

Thefollowing table presents supplemental cash flow information related to operating and financing leases for the periods presented (in thousands):

Scheduleof Supplemental Cash Flow Information Related to Operating and Financing Leases

	Three months Ended March 31,	
Cash paid for amounts included in the measurement of lease liabilities:	2024	2023
Operating cash flows from operating leases	$ 349	$ 339
Operating cash flows from financing leases	8	5
Financing cash flows from financing leases	23	19
Right-of-use assets obtained in exchange for new lease liabilities:		
Operating lease	$ -	$ 4,714

Thefollowing table presents supplemental balance sheet information related to operating and financing leases as of March 31, 2024 (in thousands,except lease term and discount rate):

Scheduleof Supplemental Balance Sheet Information Related to Operating and Financing Leases

	2024	2023
	Three months Ended March 31,	
	2024	2023
Operating leases		
Right-of-use assets, net	$ 3,798	$ 4,827
Right-of-use lease liabilities, current	$ 1,075	$ 919
Right-of-use lease liabilities, noncurrent	2,756	3,798
Total operating lease liabilities	$ 3,831	$ 4,717
Financing Leases		
Machinery and equipment, gross	$ 600	$ 423
Accumulated depreciation	( )	( )
	273	195
Machinery and equipment, net	$ 327	$ 228
Current liabilities	$ 74	$ 71
Noncurrent liabilities	197	126
Total financing lease liabilities	$ 271	$ 197
Weighted average remaining lease term		
Operating leases	2.9	3.9
	years	years
Financing leases	3.8	3.2
	years	years
Weighted average discount rate		
Operating leases	11.7 %	11.8 %
Financing leases	12.22 %	9.39 %

Thefollowing table presents future minimum lease commitments as of March 31, 2024 (in thousands):

Scheduleof Future Minimum Lease Commitments

	Operating Leases	Financing Leases
Year Ending December 31,		
2024 (April - December)	$ 1,073	$ 79
2025	1,465	89
2026	1,507	86
2027	485	51
2028	3	34
2029 and thereafter	-	-
Total minimum lease payments	4,533	339
Less: amounts representing interest	( )	( )
	702	68
Present value of net minimum lease payments	$ 3,831	$ 271

Litigation- General

The Companyis subject to various claims and contingencies in the ordinary course of its business, including those related to litigation, businesstransactions, employee-related matters, and other matters. At each reporting date, The Company evaluates whether or not a potential loss amountor a potential range of loss is probable and reasonably estimable under the provisions of the authoritative guidance that addresses accountingfor contingencies. If it is probable that a loss will result and the amount of the loss can be reasonably estimated, The Company will recorda liability for the loss. If the loss is not probable or the amount of the loss cannot be reasonably estimated, The Company discloses theclaim if the likelihood of a potential loss is reasonably possible, and the amount involved could be material. The Company expenses the costsrelated to legal proceedings as incurred. See other legal matters discussed below. Other than the matters discussed below,The Company is not currently party to any material legal proceedings.

Legalproceedings

TerminatedPhysician Agreement Matter

OnJuly 19, 2016, the Company entered into a Partnership Agreement between certain physicians (the "Physicians", as one of the "partners")and Calidi for the Physicians to provide certain services to Calidi. In connection with the Partnership Agreement, Calidi granted thePhysicians stock options as consideration for those services pursuant to Calidi's Equity Incentive Plan (the "Plan").The Partnership Agreement was deemed terminated on March 21, 2018. Pursuant to the terms of the stock option agreements and the Plan,the Physicians had three months from the termination date to exercise their vested stock options before those options would automaticallyexpire and cancel unexercised, while all unvested stock options are forfeited immediately on the termination date. The Physicians didnot elect to exercise any of their vested options thereby resulting in full cancellation of those options in accordance with the Plan.

OnMarch 14, 2022, the Physicians filed a lawsuit against Calidi in San Diego Superior Court, seeking, among other claims, declaratory reliefand claiming that the stock options granted to them pursuant to the Partnership Agreement, have not expired and remain exercisable bythe Physicians. The Physicians are claiming
3,000,000
in vested stock options to be valid and exercisable, even though the Physicianshave not provided any services to Calidi since the March 2018 termination date.

OnDecember 6, 2022, Calidi and the Physicians participated in mediation in San Diego, California. In order to attempt to settle all claimsand avoid a costly trial, Calidi offered the Physicians
50,000
shares of Calidi common stock valued at $
3.86
per share and
100,000
optionsto purchase common stock at an exercise price of $
3.86
per share in full settlement of the claims. As of December 31, 2022, the Companyestimated this offer of settlement to be valued at approximately $

0.2
million and all settleable in noncash consideration, which wasrejected. At the mediation, the Physicians were demanding
one million
options to purchase common stock at
25
cents per share,one million options to purchase common stock at $
3.86
per share, plus
250,000
shares of common stock, which amounts toan aggregate claims value of approximately $

5.0
million as of December 31, 2022. The mediation was terminated without settlement andthe Company is planning to go to trial with a preliminary trial date set for March 8, 2024 in San Diego Superior Court. On March 24, 2023,the Company initiated an arbitration proceeding with the American Health Lawyers Association seeking declaratory relief under Delaware law,specifically to determine that the Partnership Agreement was terminated in 2018, which is not a matter before the San Diego SuperiorCourt. The arbitration was stayed by the Superior Court, pending the related civil action. Based on the stay, the Company has moved for ajudgment on the pleadings to be heard in January 2024.

OnFebruary 5, 2024, the Company entered into a settlement agreement and mutual release (the "Settlement Agreement") with Dr.Elliot Lander, Saralee Berman, as Trustee of the Mark Howard Berman and Saralee Turrell Berman Living Trust, successor in interest tothe Estate of Dr. Mark Berman, and Cell Surgical Network, Inc. (the "physicians") in connection with the dispute outlinedabove.

Pursuantto the Settlement Agreement, as consideration for a full release and discharge of claims, and dismissal of claims by the parties, theCompany agreed to provide to the physicians the following: (a) the issuance of
200,000
restricted shares of common stock (the "RestrictedShares") and (b) the issuance of
400,000
warrants to purchase Restricted Shares, which(i) has an exercise price equal to $
1.32
;and (ii) are exercisable for
5
years after the date of issuance of the warrants,subject to the terms set forth in such warrant (the "Warrant"). In addition, the physicians were granted piggy-back rightswith respect to the Restricted Shares and any shares issued pursuant to any Warrants ("Warrant Shares") that were grantedby the Settlement Agreement. However, the Company has the right to refuse to register the Restricted Shares and Warrant Shares if itdetermines, in their sole discretion based on commercially reasonable grounds, that the inclusion of the Restricted Shares and WarrantShares pursuant to piggy-back rights will adversely affect our ability to raise capital from such registration statement. As of March31, 2024, the Company included in accrued expenses and other current liabilities in the accompanying unaudited condensed consolidatedbalance sheets the outstanding amount of the settlement of approximately $
0.1
million.

FormerChief Accounting Officer and Interim Chief Financial Officer

OnNovember 15, 2023,
Tony Kalajian
, the Company's prior chief accounting officer and interim chief financial officer, filed a complaintin the Superior Court of the State of California County of San Diego against the Company, Mr. Camaisa, the Company's Chief ExecutiveOfficer, and Ms. Pizarro, the Company's Chief Administrative Office and Chief Legal Officer, alleging constructive discharge ofMr. Kalajian's position of interim Chief Financial Officer and defamation by the Company, Mr. Camaisa and Ms. Pizarro in connectionwith Mr. Kalajian's alleged discharge. Mr. Kalajian is seeking $
0.6
million in damages under his employment contract, damages tobe proven at trial, punitive damages, and attorney's fees. The Company intends to vigorously defend itself and will seek recoveryof a $
0.2
million bonus Mr. Kalajian approved to be paid to himself without first obtaining proper authorization by the Company'sboard of directors.

On May 1, 2024, Mr. Kalajianfiled a complaint in the Superior Court of the State of California, County of San Diego against the Company alleging intentional conversionand violation of Section 158 of the Delaware General Corporations Code due to the Company's failure to remove a restrictive legendfrom
139,423

shares of the Company's Common Stock. Mr. Kalajian is seeking compensatory damages to be proven at trial, punitivedamages and attorney's fees, and an order requiring removal of the restrictive legend from his share certificates. The Company intendsto vigorously defend itself.

UnassertedClaim Settlement

OnMarch 8, 2024, the Company entered into a convertible promissory note purchase agreement with an accredited investor (the "Investor")for a loan in the principal amount of $ 2.0 million (the "2024 Loan"), and settlement of $ 1.5 million of an unasserted claim. As of March 31, 2024, the Company included in other noncurrent liabilities in the accompanyingunaudited condensed consolidated balance sheets the resulting amount of the unasserted claim settlement of approximately $ 1.5 million. In connection with the 2024 Loan, the Company issued convertible notes due in 2028 evidencing the aggregate principal amount of$ 3.5 million (the "2024 Notes"). The 2024 Notes also provides the Investor a right to convert all, but not less than all,the Principal Amount (as defined in the 2024 Notes) and accrued interest into shares of the Company's common stock at a conversionrate equal to a 6 % discount to the 10-day VWAP preceding execution of the 2024 Notes, convertible after the earlier of 180 days or theeffective registration date with mandatory conversion for Investor in the event that the Company completes a registered financing ofat least $ 8 million or of at least $ 2 million to a non-affiliated purchaser with an effective price of 150 % of the Note conversion pricewith a conversion price reset to be completed 30 (thirty) days after the effective registration date.

OnApril 19, 2024, the $ 1.5 million convertible note was paid in full upon the closing of a public offering by the Company, in which theHolder participated in an amount equal to the principal amount of the convertible note (See Note 7 and Note 12).

EmploymentContracts

TheCompany has entered into employment and severance benefit contracts with certain executive officers and other employees. Under the provisionsof the contracts, the Company may be required to incur severance obligations for matters relating to changes in control, as defined,and certain terminations of those executives and employees. As of March 31, 2024 and 2023, the Company had not accrued any such benefitsexcept for the severance accrual for Mr. Ng discussed below.

Manufacturingand other supplier contracts

TheCompany has entered into certain manufacturing and other supplier agreements with vendors principally for manufacturing drug productfor clinical trials and continued development of the CLD-101 and CLD-201 programs, amounting to approximately $ 6.9 million in aggregate commitments, of which 2.3 million are denominated in Australian dollars(approximately $ 1.6 million) and 0.8 million are denominated in Euros (approximately$ 0.9 million) as of March 31, 2024. As of March 31,2024, the Company had incurred approximately $

6.5
million under these various agreements.

LicenseAgreements with Northwestern University

OnJune 7, 2021, the Company entered into a License Agreement with Northwestern University ("Northwestern") (the "NorthwesternAgreement") for the exclusive commercialization rights to the investigational new drug ("IND") and data generated fromNorthwestern's phase 1 clinical trial treating brain tumor patients with an engineered oncolytic adenovirus delivered by neuralstem cells ("NSC-CRAd-S-pk7"). Under the Northwestern Agreement, among other rights, Northwestern granted to the Company a worldwide,twelve-year exclusivity for the commercial development of NSC-CRAd-S-pk7 or other oncolytic viruses for therapeutic and preventive usesin oncology and a right of reference to Northwestern's IND application which relates to the treatment of newly diagnosed HGG.

Pursuantto the Northwestern Agreement, the Company agreed to a best-efforts commitment to fund up to $
10
million towards a phase 2 clinical trial of NSC-CRAd-S-pk7 or other oncolytic viruses. Subject to the terms and conditions of theNorthwestern Agreement, Northwestern may become entitled to receive contingent payments from the Company based on, if any (i)sublicense royalty payments of double-digit percentage for any sublicensing revenue that the Company earns and, (ii) in the event of anassignment or transfer of licensed data, with the consent of Northwestern, a small percentage of the fair market value of anyconsideration received.

OnOctober 14, 2021, the Company entered into a Material License Agreement with Northwestern to license the NSC-CRAd-S-pk7 oncolytic virus materialswhich the Company intends to use to continue advancing its research, development and commercialization efforts of the NNV1 and NNV2 programs.

Asof the date of issuance of these unaudited condensed consolidated financial statements, it is not probable that the Company will make thesepayments, if any at all. The Company will record the contingent payments if and when they become payable, in accordance with the applicableguidance.

LicenseAgreement with City of Hope and the University of Chicago

OnJuly 22, 2021, the Company entered into an Exclusive License Agreement with City of Hope ("COH") and the University of Chicago(the "City of Hope Agreement") for patents covering cancer therapies using an oncolytic adenovirus loaded into allogeneicneural stem cells for treatment of HGG. Pursuant to the City of Hope Agreement, COH transferred its IND to the Company for the commercialdevelopment of a licensed product, as defined in the City of Hope Agreement. This agreement grants to the Company commercial exclusivity inusing neural stem cells with the adenovirus known as CRAd-S-pk7 for oncolytic virotherapy.

TheCity of Hope Agreement provides for the Company to pay royalties in low single digit percentage of net sales generated for any product ofthe licensed patents for specific periods, and to pay up to $
18.7
million if certain milestones are achieved during the clinical trialsand post commercialization of the licensed product.

Asof the date of the issuance of these unaudited condensed consolidated financial statements, it is not probable that the Company will makethese payments. The Company will record the contingent payments if and when they become payable, in accordance with the applicable guidance.

Indemnification

Inthe normal course of business, the Company may provide indemnification of varying scope under the Company's agreements with othercompanies or consultants, typically the Company's clinical research organizations, investigators, clinical sites, suppliers andothers. Pursuant to these agreements, the Company will generally agree to indemnify, hold harmless, and reimburse the indemnified partiesfor losses and expenses suffered or incurred by the indemnified parties arising from claims of third parties. Indemnification provisionscould also cover third party infringement claims with respect to

patent rights, copyrights, or other intellectual property pertainingto the Company. The Company's office and laboratory facility leases also will generally contain indemnification obligations, includingobligations for indemnification of the lessor for environmental law matters and injuries to persons or property of others, arising fromthe Company's use or occupancy of the leased property. The term of these indemnification agreements will generally continue ineffect after the termination or expiration of the particular research, development, services, lease, or other agreement to which theyrelate. The potential future payments the Company could be required to make under these indemnification agreements will generally notbe subject to any specified maximum amounts. Historically, the Company has not been subject to any claims or demands for indemnification.The Company also maintains various liability insurance policies that limit the Company's financial exposure. As a result, the Company'smanagement believes that the fair value of these indemnification agreements is minimal. Accordingly, the Company has not recorded anyliabilities for these agreements as of March 31, 2024.

SeparationAgreement with Chief Operating Officer and President

OnJune 23, 2023, the Company entered into a Separation and Release Agreement ("Separation Agreement") with George Ng, Chief OperatingOfficer and President, effective on that date. In accordance with the provisions of the Separation Agreement, the Company will pay Mr. Ngin the amount of $ 0.5 million payable in a lump sum due one year after the effective date, and in the event that this amount is not paidwhen due, the unpaid amount will accrue interest at the rate of 8.0 % per annum to be paid no later than the two year anniversary of theeffective date. The Company also paid for certain benefits, including healthcare for six months following the effective date.

Mr.Ng will continue to serve as a director on the Company's board and an advisor with continued vesting of Mr. Ng's previouslygranted stock options pursuant to the terms of the Company's equity incentive plan.

Settlement,deferral or payment of deferred compensation of certain executives and a director

OnAugust 31, 2023, Mr. Camaisa and Mr. Leftwich entered into certain amendments with respect to their deferred compensation arrangementsin connection with the FLAG Merger. Mr. Camaisa agreed to settle approximately $ 0.7 million of deferred compensation with 469,719 FLAGwarrants which were issued at the closing of the FLAG Merger in September 2023, and Mr. Leftwich agreed to defer approximately $ 0.5 million of deferred compensation, combined withthe deferral of certain term notes discussed above, to January 1, 2025, which will include accrued interest at 24 % per annum payableat maturity. This deferred compensation is included in other long-term liabilities in the unaudited condensed consolidated balance sheets.

OnSeptember 12, 2023, Mr. Kalajian was issued 46,826 shares of common stock in exchange for settlement of $ 0.3 million in deferred compensation.

StandbyEquity Purchase Agreement

OnDecember 10, 2023, the Company entered into a Standby Equity Purchase Agreement (the "SEPA") with YA II PN, Ltd., a CaymanIsland exempt limited partnership ("Yorkville"). Pursuant to the SEPA, the Company will have the right, but not the obligation,to sell to Yorkville up to $ 25.0 million of its shares of Common Stock, par value $ 0.0001 per share, at the Company's request anytime during the 36 months following the execution of the SEPA. The maximum advance under the SEPA is the lower of (i) an amount equalto 100% of the average of the daily traded amount during the five consecutive trading days immediately preceding an advance notice, or(ii) 5,000,000 shares. For the SEPA to be utilized, the shares underlying the agreement need to be registered on a Form S-1 filed withthe SEC. As of March 31, 2024, the Company has not registered the shares underlying the SEPA

and has not issued any shares under theSEPA.

Asconsideration for Yorkville's commitment to purchase the Common Stock at the Company's direction upon the terms and subjectto the conditions set forth in the SEPA, upon execution of the SEPA, the Company paid a structuring fee of $

25,000
to an affiliate ofYorkville and issued
138,750
shares of Common Stock to Yorkville (the "Commitment Fee Shares"). The Commitment Fee Shareswere determined by dividing $
0.3
million by the lowest daily VWAP of the Common Stock during the 10 Trading Days immediately prior tothe December 10, 2023.

Consulting Agreement

In February 2024, the Company entered into a consulting agreement whereby the consultant agreed to provide theCompany with marketing and distribution services to communicate information. As compensation, the Company issued

50,000
shares of commonstock to the consultant on March 25, 2024 (see Note 8), and the Company agreed to issue an additional
50,000
shares of common stock 6months from the effective date of the consulting agreement.

12.
Subsequent Events

Extensionof Term Notes

OnApril 12, 2024, the maturity date of $
0.2
million of the 2022 Term Note was extended to
January 1, 2025
. All other terms and conditionsremained substantially unchanged.

OnApril 12, 2024, the maturity date of $
0.3
million of the 2023 Term Note was extended to
January 1, 2025
. Approximately $
0.2
million ofthe amended 2023 Term Note will accrue interest at
18
% per annum commencing on April 12, 2024, while the interest rate of the other $
0.1
million of the amended 2023 Term Note will remain unchanged. All other terms and conditions remained substantially unchanged.

Repaymentof Convertible Promissory Note

OnApril 14, 2024, the $
1.5
million convertible note agreement was amended to include a mandatory prepayment of the entire convertible noteupon the closing of a public offering of the Company's securities registered with the Securities and Exchange Commission in whichHolder participates in an amount equal to the principal amount of the convertible note. All other terms and conditions remained substantiallyunchanged.

OnApril 19, 2024, the $
1.5
million convertible note was paid in full by the Company upon the closing of a public offering by the Company,in which the Holder participated in an amount equal to the principal amount of the convertible note. As of that date, the convertiblenote was no longer outstanding.

AprilPublic Offering

OnApril 18, 2024, the Company closed on a public offering of the Company's securities pursuant to that certain securities purchaseagreement dated April 16, 2024 entered into by and among the Company and certain purchasers. In connection with the public offering,the Company sold an aggregate of 13,232,500 Common Stock Units and 1,965,000 PFW Units at an effective combined purchase price of $ 0.40 per Common Stock Unit or Pre-Funded Warrant ("PFW") Unit for aggregate gross proceeds of approximately $ 6.1 million beforededucting placement agent fees and offering expenses payable by the Company. The securities offered and sold in the public offering wereregistered pursuant to registration statement on Form S-1, as amended, filed with the SEC and declared effective on April 15, 2024.

ReverseStock Split

Pursuantto the April Public Offering, the Company agreed to hold an annual or special meeting of stockholders on or prior to the seventy-fifth(75th) calendar day following April 18, 2024 for the purpose of obtaining approval as may be required by the applicable rules and regulationsof the NYSE American (or any successor entity) from the shareholders of the Company to consummate a reverse stock split of the Company'sCommon Stock ("Stockholder Approval"), with the recommendation of the Company's Board of Directors that such proposalis approved, and the Company shall solicit proxies from its stockholders in connection therewith in the same manner as all other managementproposals in such proxy statement and all management-appointed proxyholders shall vote their proxies in favor of such proposal. If theCompany does not obtain Stockholder Approval at the first meeting, the Company will be required to call a meeting within every forty-five(45) day period thereafter to seek Stockholder Approval until the earlier of the date on which Shareholder Approval is obtained or thePre-Funded Warrants or the Series A Common Warrants, Series B Common Warrants, Series B-1 Common Warrants, Series C Common Warrants andSeries C-1 Common Warrants (collectively "Common Warrants") are no longer outstanding. The Board has set the record dateof April 26, 2024 for the special meeting to be held on June 6, 2024 (the "Special Meeting"). The Special Meeting will heldfor purposes of seeking stockholder approval for an amendment to our Second Amended and Restated Certificate of Incorporation, at thediscretion of the Board of Directors of the Company (the "Board"),to effect a reverse stock split with respect to the Company'sissued and outstanding Voting Common Stock and Non-Voting Common Stock, at a ratio between 1-for-10 and 1-for-50 (the "Range"),with the ratio within such Range to be determined at the discretion of the Board (the "Reverse Stock Split Proposal"), andapproval on other matters relating to potential issuances of securities of over 20 % of the issued and outstanding shares of Voting CommonStock in compliance with NYSE American Rule 713(a), as more fully described in the preliminary proxy statement on Schedule 14A filedwith the SEC on April 29, 2024.

Conversionof Convertible Promissory Note

OnApril 18, 2024, pursuant to the April Public Offering, the Company's $ 1.0 million convertible note, inclusive of outstanding principaland accrued interest, was automatically converted into restricted shares of common stock at a conversion rate of $ 0.40 per common stockunit. As of that date, the convertible note was no longer outstanding.

ITEM2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Thefollowing discussion and analysis of our financial condition and results of operations should be read in conjunction with (i) our unauditedcondensed consolidated financial statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q for theperiod ended March 31, 2024 (this "Quarterly Report"). This information should also be read in conjunction with ouraudited consolidated financial statements and related notes included in our

Form 10-K for the fiscal year ended December 31, 2023 ("Form10-K") filed with the Securities and Exchange Commission, or SEC. References to "Note" or "Notes"are to the notes included in our unaudited condensed consolidated financial statements appearing elsewhere in this Quarterly Report.

CompanyOverview

Weare a clinical-stage immuno-oncology company that is developing innovative stem cell-based and enveloped platforms for the delivery andpotentiation of oncolytic virotherapies to treat cancer. Our pipeline includes off-the-shelf product candidates designed to protect oncolyticviruses from being quickly inactivated by the patient's immune system and target tumor sites. Once approved by the FDA, this improveddelivery, both localized and systemic, and increased potency will enable us to develop treatments that target various types of cancerat different stages of progression. Our goal is to create therapies that work on any tumor, regardless of its genetic profile (universaltreatments). In addition to direct targeting and killing cancer cells, our oncolytic virotherapies have shown signs of changing the tumorimmune environment to induce strong anti-tumor immunity that could lead to better cancer treatment and prevent tumor recurrence.

CLD-101(NeuroNova" Platform) for Newly Diagnosed High Grade Glioma ("HGG") (also referred to as "NNV1" as to theindication). CLD-101 is our product candidate utilizing our NeuroNova" Platform targeting HGG. Prior to our licensing agreementwith Northwestern University, an open-label, investigator sponsored, Phase 1, dose- escalation clinical trial for NNV1 in patients withnewly diagnosed high-grade gliomas was completed. This clinical trial demonstrated that single administration of CLD-101 was well toleratedin patients with newly diagnosed HGG. A Phase 1b clinical trial will commence for NNV1 in collaboration with Northwestern Universityduring the third quarter of 2024. This trial will explore the final dosing regimen for NNV1, including the feasibility of repeated dosingin newly diagnosed HGG. Extensive biomarker analysis will be performed on tumor biopsies and blood samples to determine viral distribution,specific tumor targeting and induction of anti-tumor immunity.

CLD-101for Recurrent HGG (also referred to as "NNV2" as to the recurrent HGG indication). A phase 1 study evaluating the safetyand feasibility of administering repeated doses of CLD-101 intracerebrally to patients with recurrent high-grade gliomas began treatmentin May 2023. The study is being run by our partner, City of Hope, and started enrolling cohort 4 in January 2024. Clinical data frompatients with recurrent HGG treated with repeated doses of CLD-101 is planned to support the start of a trial of repeated doses in newlydiagnosed HGG.

CLD-201(SuperNova") for Advanced Solid Tumors (triple-negative breast cancer ("TNBC"), head & neck squamous cellcarcinoma (HNSCC), and advanced soft tissue sarcoma (also referred to as"SNV1"). SNV1 is our first internally developed pre-clinical product candidate utilizing our SuperNova" DeliveryPlatform. Based on our pre-clinical studies, we believe SNV1 has therapeutic potential for the treatment of multiple solid tumorssuch as head and neck cancer, triple-negative breast cancer and melanoma. We have held a pre-IND meeting with FDA to discuss thefiling of our IND application for the clinical development of CLD-201. We anticipate commencing a Phase 1 clinical trial for SNV1during the second half of 2024.

CLD-301(AAA) for Multiple Indications. We are also currently engaged in early discovery research involving Adult Allogeneic Adipose-derived("AAA") stem cells for various indications and therapies. These AAA stem cells are theoretically multipotent, differentiatingalong the adipocyte, chondrocyte, myocyte, neuronal, and osteoblast lineages, and may have the ability to serve in other capacities,such as providing hematopoietic support and gene transfer with potential applications for repair and regeneration of acute and chronicallydamaged tissues. Pre-clinical studies involving toxicity and efficacy will be needed before an IND application may be filed with theFDA.

CLD-400(RTNova) for Lung cancer and Metastatic Solid Tumors, Our pre-clinical program involving enveloped oncolytic viruses (discovery phase),builds upon our experience of using cells to protect, potentiate and deliver virotherapies. CLD-400 program is derived from researchfrom prior pre-clinical CLD-202 program. RTNova consists of an engineered vaccinia virus enveloped by a cell

membrane, that is potentiallycapable of targeting lung cancer and advanced metastatic disease due to its remarkable ability to survive in the bloodstream. Metastaticsolid tumors involve cancer cells that break away from where they first formed (primary cancer) and travel through the blood or lymphsystem to form new tumors, known as metastatic tumors, in other parts of the body. In preclinical models, RTNova has shown early signsof its capability to target multiple distant and diverse tumors and transform their microenvironments leading to their elimination. Inaddition, the program has shown potential synergistic effects with other immunotherapies, including cell therapies, to attack and eliminatedisseminated solid tumors.

Sinceinception, our operations have focused on organizing and staffing our company, business planning, raising capital, acquiring and developingour technology, establishing our intellectual property portfolio, identifying potential product candidates and undertaking preclinicalstudies and manufacturing. We do not have any products approved for sale and have not generated any revenue from product sales. We havefunded our operations primarily through private sales of common stock, convertible preferred stock, contingently convertible and convertiblepromissory notes, term debt, lines of credit, Simple Agreements for Future Equity ("SAFE") and various bank loans. Theseinvestments have included and have been made by various related parties, including our largest investor and Chief Executive Officer andChairman of the Board of Directors.

Sinceinception, we have incurred significant operating losses. Our net loss was $7.2 million for the three months ended March 31, 2024. Asof March 31, 2024, we had an accumulated deficit of $106.8 million. We expect to continue to incur significant and increasing expensesand operating losses for the foreseeable future, as we advance our current and future product candidates through preclinical and clinicaldevelopment, manufacture drug product and drug supply, seek regulatory approval for our current and future product candidates, maintainand expand our intellectual property portfolio, hire additional research and development and business personnel and operate as a publiccompany.

Changesin economic conditions, including rising interest rates, public health issues, including the recent COVID-19 pandemic, lower consumerconfidence, volatile equity capital markets and ongoing supply chain disruptions and the impacts of geopolitical conflicts, may alsoaffect our business.

Wewill not generate revenue from product sales unless and until we successfully complete clinical development and obtain regulatory approvalfor our product candidates. In addition, if we obtain regulatory approval for our product candidates and do not enter into a third-partycommercialization partnership, we expect to incur significant expenses related to developing our commercialization capability to supportproduct sales, marketing, manufacturing and distribution activities.

Asa result, we will need substantial additional funding to support our continuing operations and pursue our growth strategy. Until we cangenerate significant revenue from product sales, if ever, we expect to finance our operations through a combination of public or privateequity offerings and debt financings or other sources, such as potential collaboration agreements, strategic alliances and licensingarrangements. We may be unable to raise additional funds or enter into such other agreements or arrangements when needed on acceptableterms, or at all. Our inability to raise capital or enter into such agreements as, and when needed, could have a material adverse effecton our business, results of operations and financial condition.

Basedon our operating plan, we believe we do not have sufficient cash on hand to support current operations for at least one year from thedate of issuance of our unaudited condensed consolidated financial statements as of, and for the three months ended March 31, 2024. Wehave concluded that this circumstance raises substantial doubt about our ability to continue as a going concern. See Note 1 to our unauditedcondensed consolidated financial statements. In addition, we will be required to raise additional capital through the issuance of ourequity securities to support our operations which will have an ownership and economic dilutive effect to our current shareholders whopurchased their shares of common stock at prices above our current trading price, and such capital raising may adversely affect the priceof our common stock. Further, the sale of or the perception of a sale of a substantial number of our common stock by certain sellingsecurityholders pursuant to another registration statement filed with the SEC will adversely affect the price of our common stock dueto our limited trading volume and adversely affect the share price that we may obtain in future financings and may adversely affect ourability to conduct and complete future financings.

Foradditional discussion on our liquidity and the Closing of the FLAG Merger, see the section below and further disclosures in the sectiontitled "Liquidity and Capital Resources" included herein.

TheFLAG Merger and Related Transactions

OnSeptember 12, 2023, FLAG consummated a series of transactions that resulted in the merger of FLAG Merger Sub Inc., a Nevada corporationand a wholly-owned subsidiary of FLAG ("Merger Sub") and Calidi pursuant to the Agreement and Plan of Merger, as amended,dated as of January 9, 2023. Pursuant to the terms of the Merger Agreement, the business combination was effected through the mergerof Merger Sub with and into Calidi, with Calidi surviving such merger as a wholly-owned subsidiary of FLAG. Historical common share amountsof Calidi have been retroactively restated based on the conversion ratio of approximately 0.42 (the "Conversion Ratio").Following the consummation of the business combination, FLAG was renamed "Calidi Biotherapeutics, Inc."

Asa result of the Business Combination, all outstanding stock of Calidi were cancelled in exchange for the right to receive newly issuedshares of Common Stock (also referred to as "New Calidi Common Stock"), par value $0.0001 per share, and all outstandingoptions to purchase Calidi stock were assumed by Calidi. The total consideration received by Calidi Security Holders at the Closing ofthe transactions contemplated by the Merger Agreement is the newly issued shares of Common Stock and securities convertible or exchangeablefor newly issued shares of Common Stock with an aggregate value equal $250.0 million, plus an adjustment of $23.8 million pursuant tothe net debt adjustment provisions of the Merger Agreement by reason of the Series B Financing. As a result, the Calidi Security Holdersreceived an aggregate of 27,375,600 shares of Common Stock as Merger Consideration.

Asadditional consideration, each Calidi stockholder was entitled to earn, on a pro rata basis, up to 18,000,000 Escalation Shares. Duringthe Escalation Period, Calidi Stockholders may be entitled to receive up to 18,000,000 Escalation Shares with incremental releases of4,500,000 shares upon the achievement of each share price hurdle if the trading price of Common Stock is $12.00, $14.00, $16.00 and $18.00,respectively, for a period of any 20 days within any 30-consecutive-day trading period. The Escalation Shares have been placed in escrowand are outstanding from and after the Closing, subject to cancellation if the applicable price targets are not achieved. While in escrow,the shares will be non-voting.

Holdersof FLAG Class A Common Stock who did not redeem their shares obtained their pro rata portion of an additional 85,849 Non-Redeeming ContinuationShares issued at Closing. At the Closing, Calidi Security Holders own approximately 76% of the outstanding shares of New Calidi CommonStock.

Seethe section below titled "Liquidity and Capital Resources" included herein for additional disclosures.

Componentsof Operating Results

Researchand Development Expenses

Researchand development expenses consist primarily of costs incurred for our research and development activities, including our product candidatediscovery efforts, preclinical studies and clinical trials under our research programs, which include:

- personnel and related expenses, including salaries, benefits and stock-based compensation expense for our research and development personnel;
- costs of funding research performed by third parties that conduct research and development and preclinical and clinical activities on our behalf;
- costs of manufacturing drug product and drug supply related to our current or future product candidates;
- costs of conducting preclinical studies and clinical trials of our product candidates;

consulting and professional fees related to research and development activities, including equity-based compensation to non-employees;

costs of maintaining our laboratory, including purchasing laboratory supplies and non-capital equipment used in our preclinical studies;

costs related to compliance with clinical regulatory requirements;

facility costs and other allocated expenses, which include expenses for rent and maintenance of facilities, insurance, depreciation and other supplies; and

fees for maintaining licenses and other amounts due under our third-party licensing agreements.

Researchand development costs are expensed as incurred. Costs for certain activities are recognized based on an evaluation of the progress tocompletion of specific tasks using data such as information provided to us by our vendors and analyzing the progress of our preclinicaland clinical studies or other services performed. Significant judgment and estimates are made in determining the accrued expense balancesat the end of any reporting period.

Wetrack external research and development costs on a program-by-program basis beginning, with respect to each program, upon our internalnomination of a candidate in that program for further preclinical and clinical development. External costs include fees paid to consultants,contractors and vendors, including contract manufacturing organizations ("CMOs"), and clinical research organizations ("CROs"),in connection with our preclinical, clinical and manufacturing activities and license milestone payments related to candidate development.

Thesuccessful development of our product candidates is highly uncertain. We cannot reasonably estimate or know the nature, timing, and estimatedcosts of the efforts that will be necessary to complete development of our current or future product candidates. We are also unable topredict when, if ever, material net cash inflows will commence from the sale of our product candidates, if they are approved. This isdue to the numerous risks and uncertainties associated with developing product candidates, including the uncertainty of:

the scope, rate of progress, and expenses of our ongoing research activities as well as any preclinical studies and clinical trials and other research and development activities;

establishing an appropriate safety profile;

successful enrollment in and completion of clinical trials;

whether our product candidates show safety and efficacy in our clinical trials;

receipt of marketing approvals from applicable regulatory authorities;

establishing commercial manufacturing capabilities or making arrangements with third-party manufacturers;

obtaining and maintaining patent and trade secret protection and regulatory exclusivity for our product candidates;

commercializing product candidates, if and when approved, whether alone or in collaboration with others; and

continued acceptable safety profile of the products following any regulatory approval.

Achange in the outcome of any of these variables with respect to the development of our current and future product candidates would significantlychange the costs and timing associated with the development of those product candidates.

Researchand development activities are central to our business model. Product candidates in later stages of clinical development generally havehigher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stageclinical trials. We expect research and development costs to increase significantly for the foreseeable future as we commence clinicaltrials and continue the development of our current and future product candidates. However, we do not believe that it is possible at thistime to accurately project expenses through commercialization. There are numerous factors associated with the successful commercializationof any of our product candidates, including future trial design and various regulatory requirements, many of which cannot be determinedwith accuracy at this time based on our stage of development. Additionally, future commercial and regulatory factors beyond our controlwill impact our clinical development programs and plans.

Generaland Administrative Expenses

Generaland administrative expenses include salaries and other compensation-relat ed costs, including stock-based compensation, for personnelin executive, finance and accounting, business development, operations and administrative roles. Other significant costs include professionalservice and consulting fees including legal fees relating to intellectual property and corporate matters, accounting fees, recruitingcosts and costs for consultants utilized to supplement our personnel, insurance costs, travel costs, facility and office-related costsnot included in research and development expenses and depreciation and amortization.

Weanticipate that our general and administrative expenses will increase in the future as our business expands to support expected growthin research and development activities, including our future clinical programs. These increases will likely include increased costs relatedto the hiring of additional personnel and fees to outside service providers, among other expenses. We also anticipate increased expensesassociated with being a public company, including costs for audit, legal, regulatory and tax-related services related to compliance withthe rules and regulations of the SEC, and listing standards applicable to companies listed on a national securities exchange, directorand officer insurance premiums, and investor relations costs. In addition, if we obtain regulatory approval for any of our product candidatesand do not enter into a third-party commercialization collaboration, we expect to incur significant expenses related to building a salesand marketing team to support product sales, marketing and distribution activities.

OtherIncome or Expenses, Net

Otherincome or expenses, net, primarily includes the changes in fair value of debt instruments, warrants, and derivatives. The changes in the fair value of these instruments are recorded in change in fair value of debt, other liabilities, and derivatives - related party and change in fair value of debt, other liabilities, andderivatives - related party, included as a component of otherincome or expenses, net, in the unaudited condensed consolidated statements of operations.

Atthe closing of the FLAG Merger, all convertible instruments outstanding were converted intoCalidi Common Stock immediately prior the closing of the FLAG Merger and are no longer outstanding as of the Closing date.

Interestexpense primarily consists of amortization of discounts on convertible and term notes, including from related parties, and other interestexpense incurred from financing leases and other obligations.

Otherincome also includes grant income generated from a grant awarded to us by the California Institute for Regenerative Medicine ("CIRM")in December 2022.

Proceeds from the CIRM grant are recognized over the period necessary to match the related research and developmentexpenses when it is probable that we have complied with the CIRM conditions and will receive the proceeds pursuant to the milestonesdefined in the grant as reimbursement of those expenditures. Any CIRM grant proceeds received in advance of having incurred the relatedresearch and development expenses are recorded in accrued expenses and other current liabilities and recognized as other income on ourconsolidated statements of operations when the related research and developments expenses are incurred.

IncomeTaxes

Sinceinception, we have incurred net operating losses primarily for U.S. federal and state income tax purposes and have not reflected anybenefit of such net operating loss carryforwards for any periods presented in this Form 10-Q. The income tax provision in the periodspresented is entirely attributable to amounts recorded from StemVac operations, our wholly-owned German subsidiary that provides researchand development services to us under a cost-plus development agreement.

Resultsof Operations

Comparisonof Three Months Ended March 31, 2024 and 2023

Thefollowing table summarizes our results of operations for the three months ended March 31, 2024 and 2023 (in thousands):

	Three Months Ended March 31,		Change	
	2024	2023	$	%
Operating expenses:				
Research and development	$ (2,743)	$ (2,622)	$ (121)	5 %
General and administrative	(4,009)	(2,792)	(1,217)	44 %
Total operating expenses	(6,752)	(5,414)	(1,338)	25 %
Loss from operations	(6,752)	(5,414)	(1,338)	25 %
Other income (expense), net				
Total other income (expenses), net	(469)	(1,044)	575	(55)%
Loss before income taxes	(7,221)	(6,458)	(763)	12 %
Income tax provision	(4)	(4)	-	0 %
Net loss	$ (7,225)	$ (6,462)	$ (763)	12 %

Researchand Development Expenses

Researchand development expenses for the three months ended March 31, 2024 and 2023 were $2.7 million and $2.6 million, respectively. The increaseof $0.1 million was primarily attributable to an increase in consulting services and regulatory costs of $0.1 million, and an increasein salary and benefits due to higher headcount of $0.1 million, partially offset by a decrease in laboratory spending of $0.1 million.

Generaland Administrative Expenses

Generaland administrative expenses for the year ended three months ended March 31, 2024 and 2023 were $4.0 million and $2.8 million, respectively.The increase of $1.2 million was primarily due to increases in legal fees of $0.8 million, insurance costs of $0.4 million, director and consulting costs of $0.2 million, and dues and subscriptions of $0.1 million, partially offset by a decreasein salaries and benefits of $0.3 million.

OtherIncome (Expense), Net

Otherincome (expense), net for the three months ended March 31, 2024 and 2023 were $0.5 million and $1.0 million other expense,respectively. The decrease of $0.5 million primarily relates the decrease in grant income from the CIRM of $0.7 million, and theincrease in interest expense and other expenses of $0.1 million, partially offset by the net change in fair value in SimpleAgreement for Future Equity (SAFEs), Forward Purchase Agreement Derivative Asset, Private warrants, and Contingently Convertible andConvertible Notes Payable of $1.3 million.

Liquidityand Capital Resources

S
ourcesof Liquidity

Sinceinception, we have funded our operations primarily through private sales of common stock, convertible preferred stock, contingently convertibleand convertible promissory notes, term debt, lines of credit, SAFEs and various loans. These investments have also been made by and includedvarious related parties, including our largest investor and Chief Executive Officer and Chairman of the Board of Directors.

Asof March 31, 2024, we had a cash balance of $1.2 million and restricted cash of $0.2 million. Our debt and liability obligations asof March 31, 2024 include $9.6 million in accounts payable and accrued expenses and other current liabilities, $2.5 million inrelated party term notes payable, $4.5 million in convertible notes payable, $0.7 million in warrant liabilities, $0.6 million interm notes payable, and $0.2 million in related party bridge loans payable.

On April 18, 2024, we closed on a public offering of our securities pursuant to that certain securities purchaseagreement dated April 16, 2024 entered into by and among Calidi and certain purchasers. In connection with the public offering we soldan aggregate of 13,232,500 Common Stock Units and 1,965,000 PFW Units at an effective combined purchase price of $0.40 per Common StockUnit or PFW Unit for aggregate gross proceeds of approximately $6.1 million before deducting placement agent fees and offering expensespayable by Calidi. The securities offered and sold in the public offering were registered pursuant to registration statement on Form S-1,as amended, filed with the SEC and declared effective on April 15, 2024.

Pleasesee Note 12 to our unaudited condensed consolidated financial statements for financing activities and changes in our debt and liabilityobligations that affected our liquidity subsequent to March 31, 2024.

2024Bridge Loan

OnJanuary 19, 2024, Calidi received approximately $0.2 million in aggregate proceeds from the issuance of certain bridge loans (the "2024Bridge Loan"), which mature one year from the issuance date and bear simple interest of 12% per annum. As consideration for the2024 Term Loans, Calidi agreed to issue an aggregate of 8,929 shares of restricted common stock to the Lender.

Asof March 31, 2024, the total carrying value of the 2024 Bridge Loan, including accrued interest and net of debt discount, was $0.2 million.

ConvertiblePromissory Notes

OnJanuary 26, 2024, Calidi entered into a convertible promissory note purchase agreement (the "2024 Purchase Agreement") withan Accredited Investor (the "Investor") for a loan in the principal amount of $1.0 million (the "2024 Convertible NoteLoan"). In connection with the Convertible Note Loan, Calidi issued a one-year convertible promissory note evidencing the aggregateprincipal amount of $1.0 million under the Loan, which accrues at a 12.0% simple interest rate per annum (the "2024 ConvertibleNote").

The2024 Convertible Note also provides the Investor a voluntary right to convert all, but not less than all, the Principal Amount and accruedinterest into shares of the Calidi's common stock at a conversion rate equal to a 10% discount to the 10-day VWAP as determinedimmediately before January 26, 2024. In addition, upon such voluntary conversion by the Investor, the Investor will be entitled to awarrant for 50% of the number of shares of Calidi's common stock issued upon the Note conversion at an exercise equal to 120% ofthe Conversion Price (the "2024 Note Warrant"). In the event Calidi consummates a public offering prior to the maturity dateof the 2024 Convertible Note, the 2024 Convertible Note and accrued interest will be subject to a mandatory conversion into the equitysecurities of Calidi issued and sold to investors in such public offering, equal to the price per share of the equity security sold toother purchasers and subject to similar terms and conditions of such public offering, except that such equity securities received undera mandatory conversion will be restricted securities.

Asof March 31, 2024, the total carrying value of the Convertible Note, including accrued interest and net of debt discount, was $1.0 million.

ConvertiblePromissory Notes and Unasserted Claim Settlement

OnMarch 8, 2024, Calidi entered into settlement agreement ("Settlement Agreement") with an investor who previously enter intoa series of related agreements including (i) an agreement with Calidi Cure to fund the purchase of Calidi Series B Preferred Stock; (ii)a Non-Redemption Agreement with Calidi; (iii) an OTC Equity Prepaid Forward Purchase Agreement with Calidi; and (iv) a Subscription Agreementwith Calidi (items (i) through (iv) collectively "the Supplemental Funding Agreements") for the purpose of satisfying the"Minimum Cash Condition" required under the Business Combination agreement between First Light Acquisition Group, Inc., andCalidi Biotherapeutics, Inc., a Nevada corporation among others. Pursuant to the Settlement Agreement, (i) the investor purchased a $2.0million convertible note from Calidi for cash and (ii) Calidi issued to the investor a $1.5 million convertible note in considerationfor the settlement of all claims related to the Supplemental Funding Agreements. The $2.0 million convertible note and $1.5 million convertiblenote are collectively herein referred to as the "Convertible Notes". The Convertible Notes bear semiannual interest at 10.0%per annum and each mature on March 8, 2028, unless due earlier due to an event of a default. After the earlier of 180 days or the effectivedate of a registration statement registering Calidi's common stock underlying the Convertible Notes, Calidi may prepay the ConvertibleNotes, including any interest earned thereon, without penalty. The Convertible Notes provide the Investor a right to convert in wholeor in part , the Principal Amount (as defined in the Convertible Notes) and accrued interest earned thereon into shares of Calidi'scommon stock at an initial note conversion price equal to 94.0% of the 10-day VWAP ending the business day preceding execution of theConvertible Notes, subject to a reset note conversion price equal to 94.0% of 10-day VWAP ending on the thirtieth (30th) day after theeffective date of the registration statement registering the common stock underlying the Convertible Notes. In the event Calidi completesa financing (i) of at least $8 million in an offering registered with the SEC; or (ii) of at least $2 million with a non-affiliated purchaserat an effective price of at least 150.0% of the initial note conversion price, then the Convertible Notes will be subject to mandatoryconversion at the lower of the initial note conversion price and reset note conversion price.

Asof March 31, 2024, the total carrying value of the Convertible Note, including accrued interest and net of debt discount, was $3.4 million.

OnApril 14, 2024, the $1.5 million convertible note agreement was amended to include a mandatory prepayment of the entire convertible noteupon the closing of a public offering of Calidi's securities registered with the Securities and Exchange Commission in which Holderparticipates in an amount equal to the principal amount of the convertible note. All other terms and conditions remained substantiallyunchanged. See Note 12 for further details over subsequent events.

OnApril 19, 2024, the $1.5 million convertible note was paid in full upon the closing of a public offering by Calidi, in which the Holderparticipated in an amount equal to the principal amount of the convertible note. As of that date, the convertible note was no longeroutstanding. See Note 12 for further details over subsequent events.

Standby Equity Purchase Agreement

On December 10, 2023, we entered into a Standby Equity Purchase Agreement (the "SEPA") with YA II PN,Ltd., a Cayman Island exempt limited partnership ("Yorkville"). Pursuant to the SEPA, we will have the right, but not theobligation, to sell to Yorkville up to $25.0 million of its shares of Common Stock, par value $0.0001 per share, at our request any timeduring the 36 months following the execution of the SEPA. Subject to certain conditions set forth in the SEPA, including payment of anadditional commitment fee, we will have the right to increase the commitment amount under the SEPA by an additional $25.0 million.

Publicand Private warrants

Inconnection with the closing of the FLAG Merger on September 12, 2023, Calidi assumed 11,500,000 public warrants to purchase common stockwith an exercise price of $11.50 per share. The Public Warrants became exercisable 30 days after the Closing. Each whole share of thewarrant is exercisable for one share of Calidi `s common stock. Calidi may redeem the outstanding Public Warrants for $0.01 perwarrant, if the reported last sale price of the common stock equals or exceeds $18.00 per share (as adjusted for stock dividends, sub-divisions,reorganizations, recapitalizations and the like) for any 20 trading days within a 30-trading day period commencing after the warrantsbecome exercisable and ending on the third trading day before Calidi sends the notice of redemption to the warrant holders. Upon issuanceof a redemption notice by Calidi, the warrant holders may, at any time after the redemption notice, exercise the Public Warrants on acashless basis.

Calidifurther assumed 1,912,514 private warrants to purchase common stock with an exercise price of $11.50 per share. The private warrants in general, will not be transferable, assignable or salable until 30 days after the Closing (excluding permitted transferees)and they will not be redeemable under certain redemption scenarios. Otherwise, the private warrants have terms and provisionsthat are identical to those of the public warrants, including the exercise price, exercisability and exercise period.

OnFebruary 21, 2024, in connection with a settlement agreement, Calidi issued an additional 400,000 private warrants to purchase RestrictedShares which (i) has an exercise price equal to $1.32; and (ii) are exercisable for 5 years after the date of issuance of the warrants,subject to the terms set forth in such warrant.

Asof March 31, 2024, all 11,500,000 Public Warrants, 1,912,514 Private Warrants, and 400,000 warrants to purchase Restricted Shareswere outstanding, respectively.

2021 Term Notes Payable

As of March 31, 2024 and December 31, 2023, the interest rate of the 2021 Term Notes was 24% and the total carryingvalue, including accrued interest was approximately $0.6 million.

2022 Term Notes Payable

Asof March 31, 2024 and December 31, 2023, the interest rate of the 2022 Term Notes was 24% per annum for a total principal of $0.2 million, and 16% and15% per annum for a total principal of $0.2 million, respectively. As of March 31, 2024 and December 31, 2023, the total carrying value, including accrued interest, was $0.4 million.

OnApril 12, 2024, the maturity date of $0.2 million of the 2022 Term Note was extended to January 1, 2025. All other terms and conditions remained substantially unchanged.

2023 Term Notes Payable

As of March 31, 2024 and December31, 2023, the interest rate of the 2023 Term Notes was 24% per annum for a total principal of $1.1 million and 14% per annum for a totalprincipal of $0.6 million. As of December March 31, 2024 and December 31, 2023, the total carrying value, including accrued interest andnet of debt discount, was $2.0 million and $1.9 million, respectively.

On April 12, 2024, the maturity date of $0.3 million of the 2023 Term Note was extended to January 1, 2025. Approximately$0.2 million of the amended 2023 Term Note will accrue interest at 18% per annum commencing on April 12, 2024, while the interest rateof the other $0.1 million of the amended 2023 Term Note will remain unchanged. All other terms and conditions remained substantially unchanged.

Commitmentsand Contingencies

OnOctober 10, 2022, Calidi entered into an Office Lease Agreement (the "San Diego Lease") that will serve as Calidi'snew principal executive and administrative offices and laboratory facility. To secure and execute the San Diego Lease, Mr. Allan Camaisaprovided a personal Guaranty of Lease of up to $0.9 million (the "Guaranty") to the lessor for Calidi's future performanceunder the San Diego Lease agreement. As consideration for the Guaranty, Calidi agreed to pay Mr. Camaisa 10% of the Guaranty amount forthe first year of the San Diego Lease, and 5% per annum of the Guaranty amount thereafter through the life of the lease, with all amountsaccrued and payable at the termination of the San Diego Lease or release of Mr. Camaisa from the Guaranty by the lessor, whichever occursfirst. The San Diego Lease has an initial term of 4 years.

Wefurther entered into separate license agreements with Northwestern University and City of Hope and the University of Chicago, whereinCalidi may be liable to make certain contingent payments pursuant to the terms and conditions of the license agreements. As of March31, 2024, we do not believe it probable that we will make these payments.

Othercommitments and contingencies include (i) various operating and financing leases for equipment, office facilities, and otherproperty containing future minimum lease payments totaling $4.9 million, (ii) certain manufacturing and other supplier agreementswith vendors principally for manufacturing drug products for clinical trials and continuing the development of the CLD-101 andCLD-201 programs totaling $0.4 million, (iii) litigation costs of $0.2 million, and (iv) severance costs due on June 23, 2024totaling $0.5 million. In accordance with the provisions of theSeparation Agreement, the severance costs of $0.5 million will accrue interest at the rate of 8.0% per annum in the event that thisamount is not paid when due, and the principal plus accrued interest shall be paid no later than two years after the effective dateof the severance agreement.

Forward Purchase Agreement

On August 28, 2023, and August29, 2023, FLAG and Calidi entered into forward purchase agreements (each a "Forward Purchase Agreement", and together, the"Forward Purchase Agreement") with each of Meteora Strategic Capital, LLC, Meteora Capital Partners, LP, Meteora Select TradingOpportunities Master, LP, Great Point Capital LLC, Funicular Funds, LP and Marybeth Wootton (with each individually a "Seller",and together, the "Sellers") for an OTC Equity Prepaid Forward Transaction.

On March 8, 2024, Calidiand one of the sellers mutually terminated and cancelled 340,000 shares per the Forward Purchase Agreement described above.

Please see Note 2 to our unaudited condensed consolidated financial statements for additional details.

RelatedParty Transactions

Pleasesee Note 6 to our unaudited condensed consolidated financial statements for more information on our related party transactions.

FinancingTransactions Subsequent to March 31, 2024

Extensionof Term Notes

OnApril 12, 2024, the maturity date of $0.2 million of the 2022 Term Note was extended to January 1, 2025. All other terms and conditionsremained substantially unchanged.

OnApril 12, 2024, the maturity date of $0.3 million of the 2023 Term Note was extended to January 1, 2025. Approximately $0.2 million ofthe amended 2023 Term Note will accrue interest at 18% per annum commencing on April 12, 2024, while the interest rate of the other $0.1million of the amended 2023 Term Note will remain unchanged. All other terms and conditions remained substantially unchanged.

Repaymentof Convertible Promissory Note

OnApril 14, 2024, the $1.5 million convertible note agreement was amended to include a mandatory prepayment of the entire convertible noteupon the closing of a public offering of Calidi's securities registered with the Securities and Exchange Commission in which Holderparticipates in an amount equal to the principal amount of the convertible note. All other terms and conditions remained substantiallyunchanged.

OnApril 19, 2024, we paid the $1.5 million convertible note in full upon the closing of a public offering by Calidi, in which the Holderparticipated in an amount equal to the principal amount of the convertible note. As of that date, the convertible note was no longeroutstanding.

AprilPublic Offering

OnApril 18, 2024, we closed on a public offering of our securities pursuant to that certain securities purchase agreement dated April 16,2024 entered into by and among Calidi and certain purchasers. In connection with the public offering we sold an aggregate of 13,232,500Common Stock Units and 1,965,000 PFW Units at an effective combined purchase price of $0.40 per Common Stock Unit or PFW Unit for aggregategross proceeds of approximately $6.1 million

before deducting placement agent fees and offering expenses payable by Calidi. The securitiesoffered and sold in the public offering were registered pursuant to registration statement on Form S-1, as amended, filed with the SECand declared effective on April 15, 2024.

ReverseStock Split

Pursuantto the April Purchase Agreement, we agreed to hold an annual or special meeting of stockholders on or prior to the seventy-fifth (75th)calendar day following April 18, 2024 for the purpose of obtaining approval as may be required by the applicable rules and regulationsof the NYSE American (or any successor entity) from the shareholders of Calidi to consummate a reverse stock split of Calidi'sCommon Stock ("Stockholder Approval"), with the recommendation of the Calidi's Board of Directors that such proposalis approved, and Calidi shall solicit proxies from its stockholders in connection therewith in the same manner as all other managementproposals in such proxy statement and all management-appointed proxyholders shall vote their proxies in favor of such proposal. If Calididoes not obtain Stockholder Approval at the first meeting, Calidi will be required to call a meeting within every forty-five (45) dayperiod thereafter to seek Stockholder Approval until the earlier of the date on which Shareholder Approval is obtained or the Pre-FundedWarrants or the Series A Common Warrants, Series B Common Warrants, Series B-1 Common Warrants, Series C Common Warrants and Series C-1Common Warrants (collectively "Common Warrants") are no longer outstanding. The Board has set the record date of April 26,2024 for the special meeting to be held on June 6, 2024 (the "Special Meeting"). The Special Meeting will held for purposesof seeking stockholder approval for an amendment to our Second Amended and Restated Certificate of Incorporation, at the discretion ofthe Board of Directors of Calidi (the "Board"),to effect a reverse stock split with respect to Calidi's issued andoutstanding Voting Common Stock and Non-Voting Common Stock, at a ratio between 1-for-10 and 1-for-50 (the "Range"), withthe ratio within such Range to be determined at the discretion of the Board (the "Reverse Stock Split Proposal"), and approvalon other matters relating to potential issuances of securities of over 20% of the issued and outstanding shares of Voting Common Stockin compliance with NYSE American Rule 713(a), as more fully described in the preliminary proxy statement on Schedule 14A filed with theSEC on April 29, 2024.

CashFlow Summary for the three months ended March 31, 2024 and 2023

Thefollowing table shows a summary of our cash flows for the three months ended March 31, 2024 and 2023 (in thousands):

	Three Months Ended March 31,		Change	
	2024	2023	$	%
Net cash (used in) provided by:				
Operating activities	$ (3,831)	$ (3,107)	$ (724)	23 %
Investing activities	(5)	(137)	132	(96)%
Financing activities	3,013	3,791	(778)	(201)%
Effect of exchange rate on cash	17	-	17	n/a
Net increase (decrease) in cash and restricted cash	$ (806)	$ 547	$ (1,353)	(247)%

Operatingactivities

Netcash used in operating activities was $3.8 million for the three months ended March 31, 2024, primarily resulting from our net loss of$7.2 million. Our net loss was reduced by certain non-cash items that included $1.9 million from the change in our operating assets andliabilities, $0.9 million in stock-based compensation, $0.3 millionin amortization of right of use assets, $0.2 million in change in fair value of debt, other liabilities and derivatives, and $0.1 million in depreciation expense.

Netcash used in operating activities was $3.1 million for the three months ended March 31, 2023, primarily resulting from our net loss of$6.5 million. Our net loss was reduced by certain non-cash items that included $1.5 million from the change in fair value of debt andother liabilities, $1.4 million in stock-based compensation, $0.2 million in amortization of debt discount and financing costs, $0.1million in amortization of right of use assets, and $0.1 million in depreciation expense.

Investingactivities

Netcash used in investing activities was $5,000 for the three months ended March 31, 2024, which primarily related to the purchase of certainmachinery and equipment.

Netcash used in investing activities was $0.1 million for the three months ended March 31, 2023, which primarily related to the purchaseof machinery and equipment.

Financingactivities

Netcash provided by financing activities was $3.0 million for the three months ended March 31, 2024, which primarily related to proceedsfrom issuance of convertible notes payable of $3.0 million, and related party proceeds from issuance of a bridge loan payable of $0.2million, partially offset by payment of financing costs of $0.2 million.

Netcash provided by financing activities was $3.8 million for the three months ended March 31, 2023, which primarily related to proceeds from issuance of term notes payable of $2.5 million, which included $1.6 million from related parties, proceeds from Simple Agreement forFuture Equity (SAFEs) of $1.4 million, partially offset by repayment of financing lease obligations and payment of deferred financingcosts of $0.1 million.

FundingRequirements

Weexpect our expenses to increase in connection with our ongoing activities, particularly as we continue our research and development,initiate clinical trials, and seek marketing approval for our current and any of our future product candidates. In addition, if we obtainmarketing approval for any of our current or our future product candidates, we expect to incur significant commercialization expensesrelated to product sales, marketing, manufacturing and distribution, which costs we may seek to offset through entry into collaborationagreements with third parties. Furthermore, we expect to continue to incur additional costs associated withoperating as a public company. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations.If we are unable to raise capital when needed or on acceptable terms, we would be forced to delay, reduce or eliminate our research anddevelopment programs or future commercialization efforts.

Basedon our current operating plan, available cash and additional access to capital discussed above under the "
Liquidity andCapital Resources
" section, we believe we do not have sufficient cash on hand to support current operations for at leastone year from the date of issuance of the unaudited condensed consolidated financial statements as of and for the three months endedMarch 31, 2024 appearing elsewhere in this Form 10-Q. Based on our existing cash and cash equivalents as of May 10, 2024, we believewe have insufficient cash to continue operations through June, 2024, unless we raise additional short-term capital. To finance ouroperations, we will need to raise substantial additional capital, which cannot be assured. We have concluded that this circumstanceraises substantial doubt about our ability to continue as a going concern for at least one year from the date that ouraforementioned unaudited condensed consolidated financial statements were issued. See Note 1 to our unaudited condensed consolidatedfinancial statements appearing elsewhere in this Form 10-Q for additional information on our assessment.

Ourfuture capital requirements will depend on a number of factors, including:

- the costs of conducting preclinical studies and clinical trials;
- the costs of manufacturing;
- the scope, progress, results and costs of discovery, preclinical and clinical development, laboratory testing, and clinical trials for product candidates we may develop, if any;
- the costs, timing, and outcome of regulatory

- review of our product candidates;
- our ability to establish and maintain collaborations on favorable terms, if at all;
- the achievement of milestones or occurrence of other developments that trigger payments under any license or collaboration agreements we might have at such time;
- the costs and timing of future commercialization activities, including product sales, marketing, manufacturing and distribution, for any of our product candidates for which we receive marketing approval;
- the amount of revenue, if any, received from commercial sales of our product candidates, should any of our product candidates receive marketing approval;
- the costs of preparing, filing and prosecuting patent applications, obtaining, maintaining and enforcing our intellectual property rights, and defending intellectual property-related claims;
- our headcount growth and associated costs as we expand our business operations and research and development activities;
- the continuing impacts of the recent COVID-19 pandemic and geopolitical conflicts; and
- the costs of operating as a public company.

Ourexisting cash will not be sufficient to complete development of CLD-101 and CLD-201. Accordingly, we will be required to obtain furtherfunding to achieve our business objectives.

Untilsuch time, if ever, as we can generate substantial product revenues, we expect to finance our cash needs through a combination of publicor private equity offerings and debt financings or other sources, such as potential collaboration agreements, strategic alliances andlicensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, yourownership interests may be diluted, and the terms of these securities may include liquidation or other preferences that could adverselyaffect your rights as a common stockholder. Additional debt financing, if available, may involve agreements that include restrictivecovenant s that limit our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaringdividends, that could adversely impact our ability to conduct our business. If we raise funds through potential collaborations, strategicalliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenuestreams, research programs or product candidates, or to grant licenses on terms that may not be favorable to us. If we are unable toraise additional funds when needed, we may be required to delay, limit, reduce or terminate our product development or future commercializationef forts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

CriticalAccounting Estimates

Thediscussion and analysis of our financial conditionand results of operations are based on our condensed consolidated financial statements, which have been prepared in accordance withU.S. generally accepted accounting principles, or U.S. GAAP. The preparation of our condensed consolidated financial statements requiresus to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and relateddisclosure of contingent assets and liabilities. We review our estimates on an ongoing basis. We base our estimates on historicalexperience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form thebasis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates underdifferent assumptions or conditions.

Oursignificant accounting policies and estimates are described in Note 2 to the consolidated financial statements included in ourAnnual Report on Form 10-K for the fiscal year ended December 31, 2023. The accounting estimates that are most critical to a fullunderstanding and evaluation of our reported financial results are described in Management's Discussion and Analysis

offFinancial Condition and Results of Operations in Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31,2023. There were no material changes to our critical accounting estimates during the three months ended March 31,2024.

Off-BalanceSheet Arrangements

Wedid not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined under SEC rules.

Weenter into agreements in the normal course of business with vendors for preclinical and clinical studies, preclinical and clinical supplyand manufacturing services, professional consultants for expert advice, and other vendors for other services for operating purposes.These contracts do not contain any minimum purchase commitments and are cancelable at any time by us, generally upon 30 days prior writtennotice, and therefore we believe that our non-cancelable obligations under these agreements are not material.

Inaddition, we have entered into license and royalty agreements for intellectual property with certain parties. Such arrangements requireongoing payments, including payments upon achieving certain development, regulatory and commercial milestones, receipt of sublicenseincome, as well as royalties on commercial sales. Payments under these arrangements are expensed as incurred and are recorded as researchand development expenses. We paid amounts under such agreements at the time of execution and pay annual fees. We have not paid any royaltiesunder these agreements to date. We have not included the annual license fee payments contractual obligations because the license agreementsare cancelable by us and therefore, we believe that our non-cancelable obligations under these agreements are not material. We have notincluded potential royalties or milestone obligations because they are contingent upon the occurrence of future events and the timingand likelihood of such potential obligations are not known with certainty. For further information regarding these agreements and amountsthat could become payable in the future under these agreements, please see the section entitled "Business - License Agreements"within our prospectus, dated October 6, 2023, filed with the SEC.

Quantitativeand Qualitative Disclosures about Market Risk

Weare not currently exposed to significant market risk related to changes in interest rates because we do not have any cash equivalentsor interest-bearing investments at this time. Our debt typically contains a fixed interest rate or is issued to certain lenders, includingrelated party lenders, with other equity instruments, such as warrants, in lieu of a stated cash interest rate. However, for debt thatwe have issued that is variable and fluctuates with changes in interest rates, an immediate one percentage point change in market interestrates would not have a material impact on our financial position or results of operations.

Weare not currently exposed to significant market risk related to changes in foreign currency exchange rates; however, we have employeesand are contracted with and may continue to contract with foreign vendors that are located in Europe, particularly in Germany, wherewe operate through our wholly-owned subsidiary, StemVac GmbH. In October 2022, we also formed Calidi Biotherapeutics Australia Pty Ltd,a wholly-owned subsidiary in Australia, for purposes of operating in that country for a portion of our planned clinical trial activitiesfor our SNV1 program. Our operations may be subject to fluctuations in foreign currency exchange rates in the future.

Inflationgenerally affects us by increasing our cost of labor. We do not believe that inflation had a material effect on our business, financialcondition or results of operations during the three months ended March 31, 2024 and 2023.

EmergingGrowth Company and Smaller Reporting Company Status

Weare an "emerging growth company," ("EGC"), under the Jumpstart Our Business Startups Act of 2012, (the "JOBSAct"). Section 107 of the JOBS Act provides that an EGC can take advantage of the extended transition period provided in Section7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. Thus, an EGC can delay the adoption of certainaccounting standards until those standards would otherwise apply to private companies. We have elected to avail ourselves of the delayedadoption of new or revised accounting standards and, therefore, we will be subject to the same requirements to adopt new or revised accountingstandards as private entities.

Asan EGC, we may also take advantage of certain exemptions and reduced reporting requirements under the JOBS Act. Subject to certain conditions,as an EGC:

- we are presenting only two years of audited financial statements and only two years of related Management's Discussion and Analysis of Financial Condition and Results of Operations;
- we will avail ourselves of the exemption from providing an auditor's attestation report on our internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act;
- we will avail ourselves of the exemption from complying with any requirement that may be adopted by the Public Company Accounting Oversight Board ("PCAOB"), regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements, known as the auditor discussion and analysis;
- we are providing reduced disclosure about our executive compensation arrangements; and
- we will not require nonbinding advisory votes on executive compensation or stockholder approval of any golden parachute payments.

Wewill remain an EGC until the earliest of (i) December 31, 2026, (ii) the last day of the fiscal year in which we have total annual grossrevenues of $1.235 billion or more, (iii) the date on which we have issued more than $1 billion in non-convertible debt during the previousrolling three-year period, or (iv) the date on which we are deemed to be a large accelerated filer under the Securities Exchange Actof 1934, as amended, (the "Exchange Act").

Weare also a "smaller reporting company," and may continue to be a smaller reporting company after this offering ifeither (i) the market value of our stock held by non-affiliates is less than $250 million or (ii) our annual revenue is less than $100million during the most recently completed fiscal year and the market value of our stock held by non-affiliates is less than $700 million.

Ifwe are a smaller reporting company at the time we cease to be an EGC, we may continue to rely on exemptions from certain disclosure requirementsthat are available to smaller reporting companies. Specifically, as a smaller reporting company we may choose to present only the twomost recent fiscal years of audited financial statements in our Annual Report on Form 10-K and, similar to EGCs, smaller reporting companieshave reduced disclosure obligations regarding executive compensation.

RecentAccounting Pronouncements

Otherthan as disclosed in Note 2 to our unaudited condensed consolidated financial statements appearing elsewhere in this Form 10-Q, we donot expect that any recently issued accounting standards will have a material impact on our financial statements or will otherwise applyto our operations.

ITEM3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

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

ITEM4.
Controls and Procedures.

Evaluationof Disclosure Controls and Procedures

Ourmanagement, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of ourdisclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period coveredby this report. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the ExchangeAct, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a companyin the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periodsspecified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and proceduresdesigned to ensure that information required to be disclosed by a company in the reports that it files or submits under the ExchangeAct 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. Management recognizesthat any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achievingtheir objectives. Our disclosure controls and procedures have been designed to provide reasonable assurance of achieving their objectives.

Basedon such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures wereeffective at the reasonable assurance level as of March 31, 2024.

Changesin Internal Control over Financial Reporting

Therewere no changes in the Company's internal control over financial reporting identified in connection with the evaluation requiredby paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during the quarter ended March 31, 2024 that materially affected,or were reasonably likely to materially affect, the Company's internal control over financial reporting.

PARTII - OTHER INFORMATION

Item1. Legal Proceedings.

Legalproceedings

Weare subject to litigation and contingencies in the ordinary course of its business, including those related to its business,business transactions, employee-related matters, and other matters. See Item 3-Legal Proceedings to our Form 10-K for the year endedDecember 31, 2023. Other than the matters discussed below, we are not currently party to any other material legalproceedings that occurred during the first quarter ended March 31, 2024.

FormerChief Accounting Officer and Interim Chief Financial Officer

On May 1, 2024, Tony Kalajian, the Company's prior chief accounting officer and interim chief financial officer,filed a complaint in the Superior Court of the State of California, County of San Diego against the Company alleging intentional conversionand violation of Section 158 of the Delaware General Corporations Code due to the Company's failure to remove a restrictive legendfrom 139,423 shares of the Company's Common Stock. Mr. Kalajian is seeking compensatory damages to be proven at trial, punitivedamages and attorney's fees, and an order requiring removal of the restrictive legend from his share certificates. The Company intendsto vigorously defend itself.

Item1A. Risk Factors

Investingin our common stock is highly speculative and involves risks. You should carefully consider the additional risk factors below as wellas the risk factors described in Part I, Item 1A, "Risk Factors" in our Form 10-K and any updates to those risk factors ornew risk factors contained in any registration statements that we filed or file with the SEC. Certain factors may have a material adverseeffect on our business, financial condition, and results of operations. You should carefully consider the following risks, together withall of the other information contained in this report and Form 10-K, in the sections titled "Cautionary Note Regarding Forward-LookingStatements" and "Management's Discussion and Analysis of Financial Condition and Results of

Operations" and ourfinancial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q. Any of the following risks couldhave an adverse effect on our business, financial condition, operating results, or prospects and could cause the trading price of ourcommon stock to decline, which would cause you to lose all or part of your investment. Our business, financial condition, operating results,or prospects could also be harmed by risks and uncertainties not currently known to us or that we currently do not believe are material.

Wehave insufficient cash to continue our operations for the next 12 months and our continued operations are dependent on us raising capitaland these conditions give rise to substantial doubt over the Company's ability to continue as a going concern.

Asof March 31, 2024, we had approximately $1.2 million in cash and restricted cash of $0.2 million, an accumulated deficit of approximately $106.8 million, and a workingcapital deficit of approximately $13.0 million. We believe that our existing cash and cash equivalents as of March 31, 2024, and ouranticipated expenditures and commitments for the next twelve months, will not enable us to fund our operating expenses and capitalexpenditure requirements for the twelve months from March 31, 2024. Based on our existing cash and cash equivalents as of May 10,2024, we believe we have insufficient cash to continue operations through June, 2024, unless we raise additional short-term capital. These conditions give rise to substantial doubtover the Company's ability to continue as a going concern. We will need to raise additional capital to support our operationsand execute our business plan. We will be required to pursue sources of additional capital through various means, including debt orequity financings. Newly issued securities may include preferences, superior voting rights, and the issuance of warrants or otherconvertible securities that will have additional dilutive effects. Further, the sale of or the perception of the sale of asubstantial number of our common stock by selling securityholders pursuant to a registration statement filed with the SEC willadversely affect the price of our common stock due to our limited trading volume. In addition, the sale of a substantial number ofour common stock by such selling securityholders will adversely affect the share price that we may obtain in future financings andmay adversely affect our ability to conduct and complete future financings. We cannot assure that additional funds will be availablewhen needed from any source or, if available, will be available on terms that are acceptable to us and may cause existingshareholders both book value and ownership dilution. Further, we may incur substantial costs in pursuing future capital and/orfinancing, including investment banking fees, legal fees, accounting fees, printing and distribution expenses and other costs. Wemay also be required to recognize non-cash expenses in connection with certain securities we may issue, such as convertible notesand warrants, which will adversely impact our financial condition and results of operations. Our ability to obtain needed financingmay be impaired by such factors as the weakness of capital markets, and the fact that we have not been profitable, which couldimpact the availability and cost of future financings. If the amount of capital we are able to raise from financing activities isnot sufficient to satisfy our capital needs, we may have to reduce our operations accordingly.

Salesand issuances of our common stock or other securities would result in dilution of the percentage ownership of our stockholder and couldcause our share price to fall.

If we sell additional shares of our common stock, convertible securities or other equity securities, existing stockholdersmay be materially diluted by subsequent sales and new investors could gain rights, preferences, and privileges senior to existing holdersof our common stock. In addition, the resale, or perceived potential resale, of a substantial number of shares of our common stock inthe public market could adversely affect the market price for our common stock We will need to raise capital in order to fund our businessobjectives. In addition, pursuant to our obligations under certain registration rights agreements, we have (1) registered on another registrationstatement filed with the SEC 20,393,816 shares of common stock, 1,912,154 warrants to purchase our common stock, and 1,912,154 sharesof common stock issuable upon exercise of the private warrants; (2) agreed to also register on another registration statement shares ofcommon stock issuable upon conversion of two outstanding convertible promissory notes issued on March 8, 2024 for the principal amountof $1.5 million and $2.0 million ("$2 Million Note"), respectively issued on pursuant to a Settlement Agreement and

Releaseof All Claims Agreement dated on March 8, 2024; (3) agreed to register 200,000 shares of our common stock and 400,000 shares of commonstock underlying warrants in connection with a settlement agreement with certain physicians related to stock options; and (4) registereda number of common stock underlying certain Series A, B and C warrants issued in connection with our public offering that closed on April18, 2024.

Untilsuch time that it is no longer effective, the registration statement registering such securities will permit the resale of theseshares. In addition, securityholders may also sell their shares pursuant to an exemption available under the securities laws. Thesale of new securities or the resale, or perceived potential resale, of a substantial number of shares of our common stock in thepublic market could adversely affect the market price for our common stock and make it more difficult for other shareholders to selltheir holdings at times and prices that they determine are appropriate.

Certainof our outstanding securities are subject to mandatory conversion and/or exercise price reset. Our stockholders are subject to significantdilution upon the occurrence of certain events which could result in a decrease in our stock price.

Asof May 3, 2024 we had approximately 114.7 million shares of our common stock reserved or designated for future issuance uponthe exercise of outstanding options and warrants, and conversion of outstanding convertible debt. Included in the shares of common stockdesignated for future issuance discussed above are approximately 78.0 million shares issuable under the Common Warrants at a currentexercise price of $0.60, and 12.8 million shares issuable under warrants to be issued in connection with a mandatory conversion of$1.0 million note ("Conversion Note"), that are subject reset of exercise price. The exercise price of the Common Warrantsand the Conversion Warrants is subject to adjustment upon the effectiveness of a reverse stock split. Upon a reverse stock split, theexercise price shall be reduced, and only reduced, to the lesser of (i) the then exercise price and (ii) 90% of the lowest VWAP for thereset exercise price. In addition, the $2 Million Note also provide the investor a right to convert the note into shares of our commonstock at an initial note conversion price equal to 94% of the 10-day VWAP ending the business day preceding execution of the ConvertibleNotes subject to a reset note conversion price equal to 94% of 10-day VWAP ending one hundred eighty (180) days after the issuance date.

Inthe event of future price resets, the number of shares of our common stock that are subject to such warrants and notes will increaseso that the aggregate purchase price payable applicable to the exercise of the warrants after the reset of the exercise price is thesame as the aggregate purchase price payable immediately prior to the reset. Any future resets to the exercise price of the Common Warrants,Conversion Warrants and $2 Million Note will have a further dilutive effect on our existing stockholders and could result in a decreasein our stock price. In addition, future sales of substantial amounts of our common stock into the public and the issuance of the sharesreserved for future issuance, in payment of our term debt, and/or in exchange for outstanding warrants will be dilutive to our existingstockholders and could result in a decrease in our stock price.

Item2. Unregistered Sales of Equity Securities and Use of Proceeds.

UnregisteredSales of Equity Securities

ConsultingAgreement

EffectiveFebruary 24, 2024, we entered into a consulting agreement whereby the consultant agreed to provide us marketing and distribution servicesto communicate information us. As compensation, we issued 50,000 shares of common stock to the consultant on March 25, 2024, and agreedto issue an additional 50,000 shares of common stock 6 months from the effective date of the consulting agreement.

Thesecurities described above were issued in reliance upon an exemption from registration pursuant to Section 4(a)(2) of the SecuritiesAct or Rule 506 of Regulation D promulgated under the Securities Act. Each investor acquired such securities for investment purposeswithout a view to distribution and had access to information concerning us and our business prospects, as required by the SecuritiesAct. In addition, there was no general solicitation or advertising for the purchase of our securities. Our securities were sold onlyto accredited investors, as defined in the Securities Act with whom we had a direct personal preexisting relationship, and after a thoroughdiscussion. Each certificate contained a restrictive legend as required by the Securities Act. Finally, our stock transfer agent hasbeen instructed not to transfer any of such securities, unless such securities are registered for resale or there is an exemption withrespect to their transfer.

Item3. Defaults Upon Senior Securities.

None.

Item4. Mine Safety Disclosures.

Notapplicable.

Item5. Other Information.

None.

Item6. Exhibits.

EXHIBITINDEX

Exhibit No.	Description
3.1	Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 to Form 8-K filed on September 19, 2023).
4.1	Form of Common Stock Purchase Warrant (Convertible Note) (incorporated by reference to Exhibit 4.1 to Form 8-K filed on February 1, 2024).
10.1	Convertible Promissory Note Purchase Agreement dated January 26, 2024 (incorporated by reference to Exhibit 10.1 to Form 8-K filed on February 1, 2024).
10.2	Form of Convertible Promissory Note (incorporated by reference to Exhibit 10.2 to Form 8-K filed on February 1, 2024).
10.3	Settlement Agreement dated March 8, 2024 (incorporated by reference to Exhibit 10.1 to Form 8-K filed on March 12, 2024)
10.4	Form of Convertible Promissory Note ($2,000,000) (incorporated by reference to Exhibit 10.2 to Form 8-K filed on March 12, 2024).
10.5	Form of Convertible Promissory Note ($1,500,000) (incorporated by reference to Exhibit 10.3 to Form 8-K filed on March 12, 2024).
10.6	Form of Amendment to $1,500,000 Convertible Note (incorporated by reference to Exhibit 10.4 to Form 8-K filed on March 12, 2024).
10.7	Amendment to $2,000,000 Convertible Note (incorporated by reference to Exhibit 10.46 to Amendment No. 2 to Form S-1 filed on April 1, 2024)
10.8	Amendment No. 2 to $1,500,000 Convertible Note (incorporated by reference to Exhibit 10.47 to Amendment No. 2 to Form S-1 filed on April 1, 2024)
31.1*	Certification of Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2*	Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certificate of Chief 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**	Certificate of Chief 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
101. SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith
** Furnished herewith.

SIGNATURES

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

Calidi Biotherapeutics, Inc.

Date: May 14, 2024 By: /s/ Allan Camaisa
Name: Allan Camaisa
Title: Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: May 14, 2024 By: /s/ Andrew Jackson
Name: Andrew Jackson
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit31.1

CERTIFICATIONSOF CHIEF EXECUTIVE OFFICER
PURSUANTTO
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I,Allan J. Camaisa, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Calidi Biotherapeutics, Inc. (the "Registrant").

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 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 effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

1. I have reviewed this Quarterly Report on Form 10-Q of Calidi Biotherapeutics, Inc. (the “Registrant”).

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 unde

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 fl

4. The Registrant’s other certifying officer 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 int

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 Registr

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 r

c. Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of

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 reason

5. The Registrant’s other certifying officer 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 t

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 re

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: May 14, 2024

By: /s/Allan J. Camaisa
Name: Allan J. Camaisa
Title: Chief Executive Officer
(Principal Executive Officer)

Exhibit31.2

CERTIFICATIONSOF August 13, 2024

By: */s/ Allan J. Camaisa*
Name: Allan J. Camaisa
Title: Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS OF CHIEF FINANCIAL OFFICER
PURSUANTTO
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I,Andrew Jackson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Biotherapeutics, Inc. (the "Registrant").

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 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 effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

1. I have reviewed this Quarterly Report on Form 10-Q of Biotherapeutics, Inc. (the “Registrant”).

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 unde

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 fl

4. The Registrant’s other certifying officer 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 int

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c. Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of t

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5. The Registrant’s other certifying officer 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 t

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 re

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: May 14, 2024

By:
/s/ Andrew Jackson
Name: Andrew Jackson
Title: Chief Financial Officer
(Principal Financial Officer)

Exhibit32.1

CERTIFICATIONPURSUANT August 13, 2024

By: */s/ Andrew Jackson*
Name: Andrew Jackson
Title: Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18U.S.C.
18 U.S.C. SECTION 1350
ASADOPTED
AS ADOPTED PURSUANT TO
SECTION906
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Inconnection

In connection with the Quarterly Report of Calidi Biotherapeutics, Inc. (the "Company" “Company”) on Form 10-Q for the quarter ended March31, 2024, June 30, 2024, as filed with the Securities and

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: May 14, 2024

By: /s/Allan J. Camaisa
Name: Allan J. Camaisa
Title: Chief Executive Officer
(Principal Executive Officer)

Exhibit32.2

CERTIFICATIONPURSUANT August 13, 2024

By: */s/ Allan J. Camaisa*
Name: Allan J. Camaisa
Title: Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18U.S.C.
18 U.S.C. SECTION 1350
ASADOPTED
AS ADOPTED PURSUANT TO
SECTION906
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
Inconnection

In connection with the Quarterly Report of Calidi Biotherapeutics, Inc. (the "Company" "Company") on Form 10-Q for the quarter ended March31, 2024, June 30, 2024, as filed with the Securities and

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: May 14, 2024

By: /s/Andrew Jackson
Name: Andrew Jackson
Title: Chief Financial Officer
(Principal Financial Officer)

{graphic omitted}
{graphic omitted}

August 13, 2024

By: */s/ Andrew Jackson*
Name: Andrew Jackson
Title: Chief Financial Officer
(Principal Financial Officer)

DISCLAIMER

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