Defining the Future of Aerial Intelligence

Investor Presentation - December 2023

Disclosure

During the course of this presentation, we may make statements which are considered ''forward-looking statements'' within the meaning of the Private Securities Litigation. Reform Act of 1995, including statements regarding our future performance, goals and growth. Forward-looking statements may be identified by such words as "believe," "estimate," "anticipate," "expect," "plan," "intend," "may," "could," "might," "will," "should, "approximately," "potential" or, in each case, their negative or other variations thereon or comparable terminology as it relates to us, although not all forward-looking statements contain these words.

This presentation contains "forward-looking statements" that are subject to substantial risks and uncertainties. All statements, other than statements of historical fact, contained in this presentation are forward-looking statements. Forward-looking statements contained in this presentation may be identified by the use of words such as "anticipate," "believe," "contemplate," "could," "estimate," "expect," "intend," "seek," "may," "might," "plan," "potential," "predict," "project," "target," "aim," "should," "will" "would," or the negative of these words or other similar expressions, although not all forward-looking statements contain these words. Forward-looking statements are based on Red Cat Holdings, Inc.'s current expectations and are subject to inherent uncertainties, risks and assumptions that are difficult to predict. Further, certain forward-looking statements are based on assumptions as to future events that may not prove to be accurate. These and other risks and uncertainties are described more fully in the section titled "Risk Factors" in the final prospectus related to the public offering filed with the Securities and Exchange Commission. Forward-looking statements contained in this announcement are made as of this date, and Red Cat Holdings, Inc. undertakes no duty to update such information except as required under applicable law.

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Free Writing Prospectus

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TEAL™ SKYPERSONIC

Defining the Future of Aerial Intelligence

Red Cat is a drone technology company integrating robotic hardware and software for military, government and commercial operations. Red Cat's solutions are designed to "Dominate the Night™" and include the Teal 2, a small unmanned system offering the highest-resolution thermal imaging in its class.

Our mission is to provide critical situational awareness and enhance the effectiveness and safety of military and security operations domestically and globally.

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Leadership Team

JEFFREY THOMPSON
Chief Executive Officer & Chairman of the Board

Jeffrey is a serial tech entrepreneur with a long track record of founding and leading companies from the startup phase to successful exits and IPOs. His background is in the telecom space, where he founded EdgeNet, a private Internet Service provider (ISP) that was sold to Citadel Broadcasting. Mr. Thompson then co-founded Towerstream, a wireless service provider. With an ongoing passion for innovative technology, he most recently founded Red Cat Holdings, the company at the forefront of providing solutions for the rapidly growing commercial and recreational drone industries.

GEORGE MATUS
Chief Technology Officer

George Matus is a technologist and entrepreneur who founded Teal in 2015. After developing his own novel technologies in high school, including thrust vectoring multi-rotors, modular and extensible airframes, and record endurance platforms, he founded the company with a vision of the future of drones. Since Teal's inception in 2015, Mr. Matus has raised several rounds of venture capital financing, defined the company's product roadmap, and launched four products to market through American manufacturing. George is a Peter Thiel Fellow, Forbes 30 Under 30 member, was recognized by TIME magazine as one of the 30 most influential teens in America, and holds over a dozen granted patents.

JOSEPH HERNON
Chief Financial Officer

Joseph is a Certified Public Accountant with a Master's in Accountancy from Bentley University. He has a wealth of experience being part of management teams that have raised more than $300 million through debt and equity financings. As the Chief Financial Officer of four publicly traded companies in the tech and biotech industries, Mr. Hernon led the acquisition of five technology companies that were immediately accretive.

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Regulatory Tailwinds

- 2018 Army bans DJI

- 2020 DJI banned across Department of Defense

- 2021 DJI put on Entity List and Economic Blacklist

- 2023 Teal 2 becomes Blue UAS and receives Remote ID certification from FAA

- 2023 ASDA (American Security Drone Act) to pass

Made in the USA

- State-of-the-art 25,000 square-foot manufacturing facility completed in summer of 2023

- 100% of value-added production is completed at the factory in Salt Lake City, Utah

- 100% of NDAA required drone components are sourced in the United States or allied countries

- Manufacturing capacity is increasing toward 1k+ systems per month

- Yields are increasing toward the company's requirement of 98% (and RMAs of less than 2%)

- Gross margins are increasing through higher volume, higher quality, and lower overhead

Senator Mitt Romney touring Teal factory, co-sponsor of the bipartisan ASDA

Revenue Opportunities

- **Current Organic Revenue Growth**

- **DOD Newly Announced and Funded Replicator Project**

- **Short Range Reconnaissance (SRR) Program of Record**
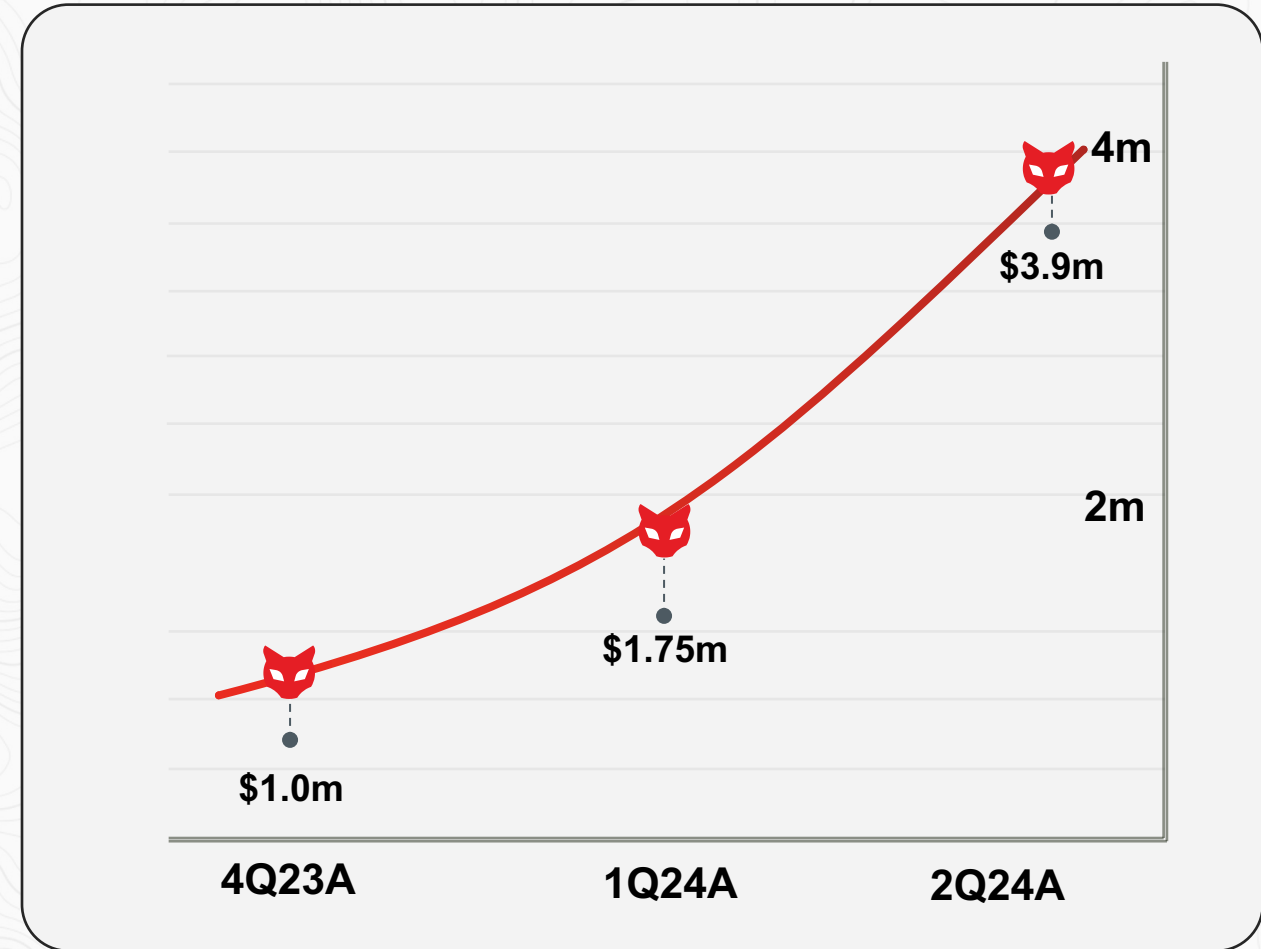
Teal 2 Sales and Shipments

1Q24 sequential revenue growth **75%**

2Q24 sequential revenue growth **123%**

Total Booked Sales FY24 **13.04m**

Shipped Through 2Q24 **5.6m**

Current Backlog **7.4m**

4m
$3.9m
2m
$1.75m
$1.0m

4Q23A   1Q24A   2Q24A

Department of Defense Replicator Initiative

Kathleen H. Hicks
Deputy Secretary of Defense
September 2023

"

The Pentagon has unveiled a radical new strategy focused on fielding thousands of cheap, smart and autonomous war drones across multiple domains within 18 to 24 months to counter China's military.

[According to *The Wall Street Journal*](), Deputy Secretary of Defense Kathleen Hicks said the Department of Defense plans to develop AI systems "intended to be small, smart, [and] cheap" to counter threats from China and other countries.

"Overall we are going to deliver in the thousands," Hicks said during Tuesday's interview.

"Last week, I announced our Replicator initiative — the latest effort to overcome the production **valley of death**, beginning with accelerating the scaling of all-domain attritable autonomous systems."

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Short Range Reconnaissance (SRR)

Short Range Reconnaissance (SRR)

SRR is intended to be an inexpensive, rucksack portable, vertical take-off and landing (VTOL) small unmanned aircraft that provides the platoon with a rapidly deployed intelligence, surveillance, and reconnaissance(ISR) capability to provide situational awareness beyond the next terrain feature.

Program Of Record

Programs of record are programs that appear in the FYDP and for which Congress has appropriated funding or intends to. Generally, approval of the program objective memorandum (POM) when the program is in the POM makes it a program of record. Congress funding a program means that it's a program of record. A program that has a validated requirement and a line in the FYDP is a program of record.

SRR Tranche 1

PRODUCTION CONTRACT:
$100 Million, 1,083 Drones Deployed

SRR Tranche 2/3

PRODUCTION CONTRACT:
$$$ Unknown, Approximately 12,000 Drones

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Teal – Government Approved

Completed rigorous application and review process to secure Key Government Approvals:

Blue sUAS
- The Defense Innovation Unit (DIU), a Department of Defense (DoD) subsidiary, designated the Teal 2 as Blue UAS - part of its holistic and continuous approach to rapidly prototyping and scaling commercial UAS technology.
- Supply chain and cyber security tested as part of the certification process.
- The Teal 2 is **1 of only 2** Blue UAS systems in mass production.

Authority to Operate (ATO)
- Certification allows the Teal 2 to be deployed in environments controlled by the DoD.
- The Teal 2 was verified to have a cyber-hardened and encrypted system.

General Services Administration (GSA)
- The U.S. Government Agency responsible for procuring goods and services.
- The Teal 2 is one of the **ONLY** Blue UAS listed for sale through the GSA which expedites its purchase by all agencies of the US government.

Many Foreign Governments rely on these certifications in their buying decisions.

Teal 2

Dominate the Night™

Teal 2 is a superior American-made sUAS platform focusing on effortless use, reliability, and extreme effectiveness. The modular construction allows effortless propulsion and payload replacement, and its plug & play design broadens mission capabilities with expansion packages.
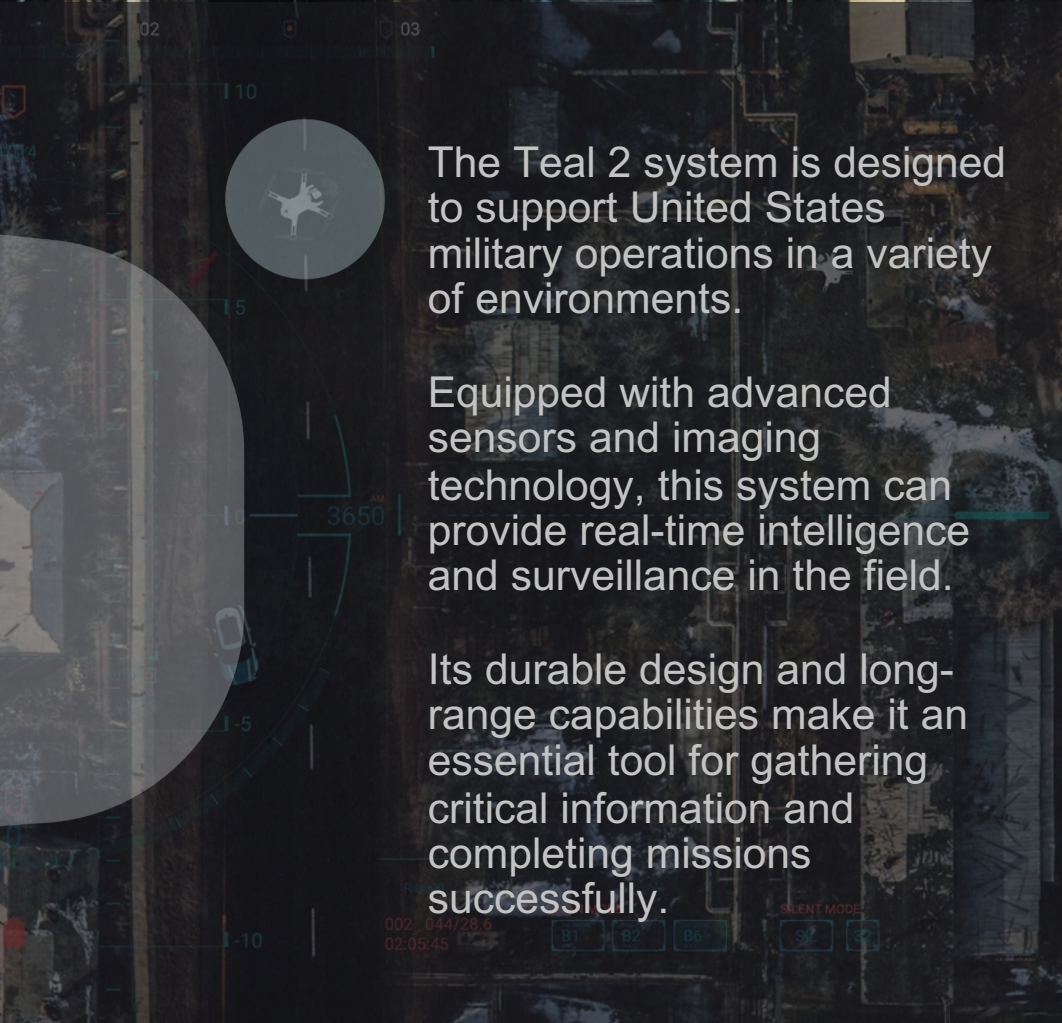
- Equipped with the FLIR Hadron 640R EO IR payload, optimized for nighttime operations

- Compact and rugged design enables fast deployment in challenging environments

- Multi-vehicle command and control provides a 360-degree view of a target or ISR on multiple targets

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Teal 2 Mission Applications

Designed for the Warfighter

The Teal 2 system is designed to support United States military operations in a variety of environments.

Equipped with advanced sensors and imaging technology, this system can provide real-time intelligence and surveillance in the field.

Its durable design and long-range capabilities make it an essential tool for gathering critical information and completing missions successfully.
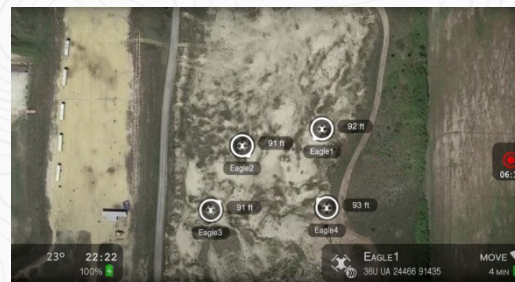
INTELLIGENCE

Whether it's gathering real-time intelligence on enemy movements or detecting potential threats to military personnel, the Teal 2 system is a powerful and effective solution for supporting intelligence efforts.

SURVEILLANCE

The Teal 2's long-range capabilities and ability to fly at high altitudes make it an ideal platform for conducting surveillance missions.
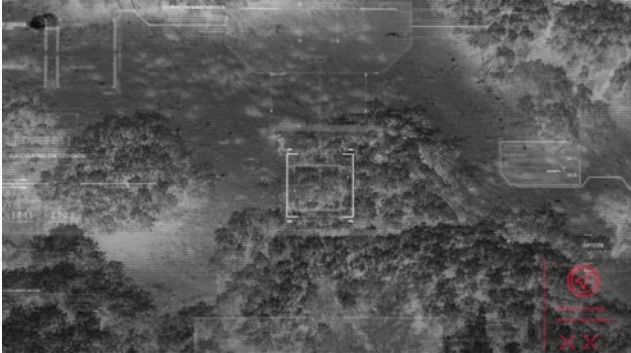
RECONNAISSANCE

The Teal 2 system's advanced sensors and imaging technology allow it to capture high-resolution, real-time images and video of the terrain and surrounding areas.

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Opportunities
Teal Drones

U.S. ARMY SHORT RANGE RECONNAISSANCE TRANCHE 2 (SRR T2) DRONE PROGRAM
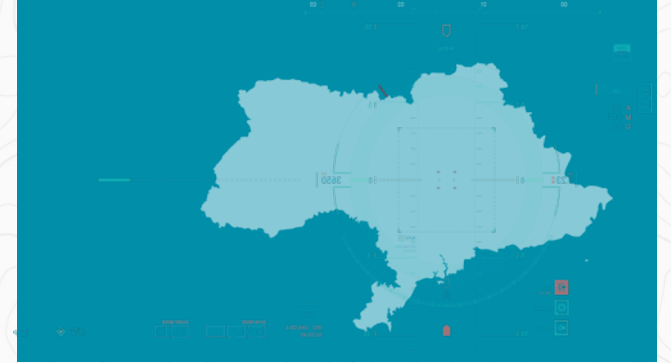
$2,700,000 contract

- Teal is one of just two drone manufacturers selected out of 37 original bidders to be awarded a prototype contract ($2.7 million)

- Production award will be given next calendar year after final event

CUSTOMS AND BORDER PROTECTION
DEPT. OF HOMELAND SECURITY

$2,000,000 contract

- Teal is one of 5 drone manufacturers awarded blank purchase agreement with aggregate estimated value of $90 million over a 5-year ordering period – two orders so far totaling over $2M

- Drones to provide reconnaissance, surveillance, and tracking capability for field agents

INTERNATIONAL ACTIVITY

- Shipped 15 Teal drones to NATO member country for deployment in Ukraine

- Competing for NATO drone programs in Sweden, Belgium, and Netherlands

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Skypersonic

Safely Inspect Dangerous Places

- Patented software and hardware allow for flight services in restricted spaces where GPS is not allowed or available

- GPS-denied, indoor/tight space telemetry capabilities were transitioned from military and satellite technology for commercial use - 8 U.S. and European Patents

- Environmental testing technology samples air quality

- Provides operators unique access to locations where previous human operators assumed high risk at high costs

- Completely remote drone flights can be executed from operators anywhere in the world

- Drone services, technologies, and certification programs offered

Skycopter Overview

Skypersonic's Skycopter offers an innovative approach to defense, industrial inspections and first response emergency situations. Skycopter is a safe, ready-to-fly product suitable for several applications. The drone is enclosed and protected by an external aerodynamic, ultra-light, and ultra-resistant cage to ensure safety and avoid damage to inspected structures and to the airframe itself. It's designed to work in extreme conditions and ultra-tight spaces.

- High aerodynamic efficiency NACA profiled cage: allows the drone to bump on any surface without damage.

- The Skycopter flight controller system features three flight modes to unleash the full power of the drone in indoor or outdoor conditions.

- Multi-clusters powerful LEDs system allows the Skycopter to perform inspections in complete darkness.

- Designed for use in military applications for intelligence gathering, reconnaissance, and surveillance of embassies, tunnels, caves, and more.

- Allows for critical infrastructure inspections, including roads, bridges, towers, and more.

Partiships

Unmatched technology. Increased capability.

TOMAHAWK ROBOTICS

Tomahawk Robotics is the leading innovator of multi-domain command and control solutions for unmanned systems.

REVEAL

Reveal Technology delivers intuitive, rapid intelligence at the tactical edge, blending state-of-the-art computer vision, artificial intelligence, and edge computing technologies.

ATHENA AI

Athena AI is one of the only vision-based AI systems on the market that combines AI computer vision, AI enabled decision support, and display of the AI information in a user interface.

IMMERVISION

Immervision helps OEMs, ODMs, and camera and optics manufacturers to power consumer and professional devices with smart wide-angle vision systems.

TELEDYNE FLIR

Teledyne FLIR specializes in the design and production of thermal imaging cameras and sensors.

DOODLE LABS

Doodle Labs designs and produces industrial-grade wireless mesh networking solutions for robotic systems.

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Income Statement Summary

	Three Months Ended (unaudited)		
	October 31	**July 31**	**April 30**
	(approximate)		
Revenues	$ 3,900,000	$ 1,748,129	$ 1,078,988
Cost of goods sold		1,573,464	2,022,341
Gross margin		174,665	(943,353)
Total operating expenses[2]		5,187,700	9,414,534
Operating loss		(5,013,035)	(10,357,887)
Backlog	$7,400,000		
Inventory		$11,084,959	
Manufacturing Facility[3]	Mass Production	LRIP	LRIP

[1] Excludes Consumer segment which is reported in discontinued operations

[2] Includes stock-based compensation equal to $911,606 and $865,766 for the three months ended July 2023 and April 2023, respectively.

[3] LRIP Low Rate Initial Production

Balance Sheet

As of July 31, 2023 (unaudited)

ASSETS		
Cash and marketable securities	$	8,875,169
Intangible assets including goodwill, net		24,118,468
Inventory, including deposits		11,084,959
Accounts receivable, net		720,642
Other		4,723,848
Assets of discontinued operations		4,627,792
TOTAL ASSETS	**$**	**54,150,878**

LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued expenses	$	1,316,026
Debt obligations		1,185,718
Warrant derivative liability		561,685
Other		594,562
Liabilities of discontinued operations		499,489
Total liabilities		4,157,480
Total stockholders' equity		49,993,398
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$**	**54,150,878**

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Capitalization Table

	As of October 31, 2023
Common Stock	55,653,793
Series B Preferred as converted to Common Stock	3,897
Options (WAEP $1.54)	6,906,764
Warrants (WAEP $3.38)	1,539,999

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Investment Highlights

- Drone industry is growing rapidly across military and commercial sectors
- Red Cat has obtained required government certifications to serve military and other government agencies
- Multiple military contracts secured and finalist for larger awards in next 12 months
- Pending Chinese drones ban in ASDA will drive Total Addressable Market (TAM) in United States
- Revenue is accelerating with three quarters of sequential growth and record backlog

Red Cat at Ukraine Training Facility Nov 2023

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TEAL™   SKYPERSONIC

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NASDAQ: RCAT