September 20, 2021

Red Cat Holdings Reports Financial Results from Fiscal First Quarter 2022 and Provides Corporate Update

HUMACAO, Puerto Rico, Sept. 20, 2021 /PRNewswire/ -- Red Cat Holdings, Inc. (Nasdaq: RCAT) ("Red Cat" or "Company"), a hardware-enabled software provider to the drone industry, reports its financial results for the fiscal quarter ended July 31, 2021 and provides a business update.

First Quarter 2022 Financial Highlights:

- Revenues for the fiscal quarter ended July 31, 2021 were approximately $1.4 million, compared to approximately $548,000 for the same period in 2020
- Adjusted Net loss for the quarter ended July 31, 2021, which excludes non-cash expenses, primarily related to derivative liabilities and stock-based compensation, was approximately $1.1 million, as compared to an adjusted net loss of approximately $276,000 for the fiscal quarter ended July 31, 2020
- Cash and equivalents were approximately $66.1 million as of July 31, 2021

Recent Corporate Highlights:

- Closed the acquisitions of Teal Drones and Skypersonic
- Received a significant purchase order from Drone Nerds -- the largest distributor of drones in the United States -- for the Golden Eagle, manufactured by Teal Drones
- Structured the Company into Enterprise and Consumer segments
- Appointed Dr. Allan Evans as Chief Operating Officer and Geoffrey Hitchcock as Senior Vice President of Global Defense Solutions
- Closed two public offerings that together raised $76 million in gross proceeds and up-listed to the Nasdaq exchange in the process

"Our first quarter results reflect an exciting start to the fiscal year, highlighted by a strengthened capital position, continued revenue growth, and additional acquisitions," stated Joseph Hernon, Chief Financial Officer. "We began the second quarter with more than $66 million in cash, which we plan to invest in key growth initiatives in a disciplined, focused manner."

"Teal Drones represents our fourth acquisition since January 2020 and positions us as a leader in the enterprise, consumer, and military sectors of the drone industry," stated Jeffrey Thompson, President and Chief Executive Officer. "Teal is one of a few companies approved by the U.S. Department of Defense for the deployment of drones in short range

military reconnaissance. Looking forward, we expect military applications and infrastructure inspection services, provided through our Skypersonic subsidiary, to drive revenue growth."

Conference Call Today

Jeff Thompson, CEO and Joseph Hernon, CFO will also host a conference call at 5:00 p.m. ET on Monday, September 20 to review financial results and provide an update on corporate developments. Following management's formal remarks, there will be a question-and-answer session.

To listen to the conference call, interested parties within the U.S. should dial 1-866-777-2509 (domestic) or 1-412-317-5413 (international). All callers should dial in approximately 10 minutes prior to the scheduled start time and ask to be joined into the Red Cat Holdings, Inc. conference call. Participants can also pre-register for this event using the following link: https://dpregister.com/sreg/10160315/ed6428468a

The conference call will also be available through a live webcast that can be accessed at https://services.choruscall.com/mediaframe/webcast.html?webcastid=qfFT8fw6.

The webcast replay will be available until December 20, 2021 and can be accessed through the above link or on the Company's website. A telephonic replay will be available until October 4, 2021, by calling 1-877-344-7529 (domestic) or 1-412-317-0088 (international) and using access code 10160315.

About Red Cat Holdings, Inc.

Red Cat provides products, services and solutions to the drone industry through its four wholly- owned subsidiaries. Fat Shark Holdings is the leading provider of First Person View (FPV) video goggles to the drone industry. Rotor Riot, LLC is a leader in the sale of FPV drones and equipment, primarily to the consumer marketplace through its digital storefront located at www.rotorriot.com. Rotor Riot enjoys high visibility in social media through its Facebook page and its sponsorship of a professional drone racing team that has won numerous championships. Skypersonic provides software and hardware solutions that enable drones to complete inspection services in locations where GPS is not available, yet still record and transmit data even while being operated from thousands of miles away. Red Cat Propware is developing a Software-as-a-Solution ("SaaS") platform to provide drone flight data analytics and storage, as well as diagnostic products and services. Learn more at https://www.redcatholdings.com/.

Forward Looking Statements

This press release contains "forward-looking statements" that are subject to substantial risks and uncertainties. All statements, other than statements of historical fact, contained in this press release are forward-looking statements. Forward-looking statements contained in this press release 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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RED CAT HOLDINGS
Consolidated Balance Sheets
(Unaudited)

	July 31, 2021	April 30, 2021
ASSETS		
Cash and cash equivalents	$ 66,118,581	$ 277,347
Inventory, including deposits	2,883,468	841,011
Intangible assets, including goodwill	13,666,722	10,049,502
Other	729,661	525,505
TOTAL ASSETS	**83,398,432**	**11,693,365**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued expenses	1,666,913	1,202,049
Notes payable	154,872	269,045
Due to related party	1,860,754	2,143,209
Warrant derivative liability	2,495,378	2,812,767
Total Liabilities	6,177,917	6,427,070
Stockholders' Equity		
Stockholders' capital	94,587,293	21,076,223
Accumulated deficit	(17,366,778)	(15,809,928)
Total Stockholders' Equity	77,220,515	5,266,295
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 83,398,432**	**$ 11,693,365**

RED CAT HOLDINGS
Condensed Consolidated Statements of Operations
(Unaudited)

	Three months ended July 31,	
	2021	**2020**

Revenues	$	1,396,751	$	548,282
Cost of goods sold		1,294,347		446,132
Gross Margin		102,404		102,150
Operating Expenses				
Operations		176,863		86,546
Research and development		244,254		87,310
Sales and marketing		100,633		24,136
General and administrative		876,180		180,341
Stock based compensation		384,086		107,061
Total operating expenses		1,782,016		485,394
Operating loss		(1,679,612)		(383,244)
Other Income		121,840		-
Net loss	**$**	**(1,557,772)**	**$**	**(383,244)**
Loss per share - basic and diluted	**$**	**(0.05)**	**$**	**(0.02)**
Weighted average shares outstanding - basic and diluted		**34,074,226**		**20,011,091**

RED CAT HOLDINGS
Condensed Consolidated Cash Flows Statements
(Unaudited)

	Three months ended July 31,	
	2021	**2020**
Cash Flows from Operating Activities		
Net loss	$ (1,557,772)	$ (383,244)
Non-cash expenses	438,164	107,061
Changes in operating assets and liabilities	(2,954,356)	43,361
Net cash used in operating activities	(4,073,964)	(232,822)
Net cash provided by investing activities	13,502	-
Cash Flows from Financing Activities		
(Payments) proceeds of debt obligations	(264,428)	52,024
Proceeds from issuance of common stock, net	70,165,202	-
Net cash provided by financing activities	69,900,774	52,024
Effect of foreign exchange rate changes on cash	922	-
Net increase (decrease) in cash and cash equivalents	65,841,234	(180,798)

Cash and cash equivalents, beginning of period	277,347	236,668
Cash and cash equivalents, end of period	**$ 66,118,581**	**$ 55,870**

Non-GAAP Financial Measures

We have presented a supplemental non-GAAP financial measure in this earnings release. We believe that this supplemental information is useful to investors because it allows for an evaluation of the company with a focus on the performance of its core operations, including more meaningful comparisons of financial results to historical periods. Adjusted Net Loss is a non-GAAP financial measure which excludes non-cash expenses, primarily related to derivatives and stock-based compensation. Our executive management team uses these same non-GAAP measures internally to assess the ongoing performance of the company.

Below is a reconciliation of Adjusted Net Loss to GAAP net loss for the 3 months ended July 31, 2021 and 2020:

RED CAT HOLDINGS
Reconciliation of Adjusted Net Loss
(Unaudited)

	Three months ended July 31,	
	2021	**2020**
Net loss	**$ (1,557,772)**	**$ (383,244)**
Adjustments for non-cash expenses:		
Stock based compensation	384,086	107,061
Common stock issued for services	192,000	-
Amortization of intangible assets	16,326	-
Change in fair value of derivative liability	(154,248)	-
Adjusted Net loss	**$ (1,119,608)**	**$ (276,183)**

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