March 17, 2022

# Red Cat Holdings Reports Financial Results for Fiscal Third Quarter 2022 and Provides Corporate Update

HUMACAO, Puerto Rico, March 17, 2022 /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 third quarter ended January 31, 2022 and provides a business update.

RED CAT HOLDINGS
Investing in the future of drones

**Recent Corporate Highlights:**

- Teal Drones ("Teal") Selected by U.S. Army for Short Range Reconnaissance Tranche 2 Drone Program
- Teal Awarded Customs and Border Protection Contract Worth up to $90 Million over Five Years
- Teal Manufacturing Facility Doubled in Size
- Skypersonic collaborating with NASA to deploy remotely piloted drones in a variety of vehicles and environments
- Appointed Venture Capitalist and Cargo Drone Entrepreneur Christopher R. Moe to Board of Directors

**Third Quarter 2022 Financial Highlights:**

- Revenue for the fiscal third quarter ended January 31, 2022 decreased 13% compared to the same period in fiscal 2021 as the Company focused its efforts on doubling the manufacturing capacity for its Teal subsidiary. Revenue for the nine months ended January 31, 2022 increased 64% compared to the nine months ended January 31, 2021
- Operating Expenses for the quarter ended January 31, 2022 increased to $3.2 million compared to $1.1 million for the same period in fiscal 2021, reflecting the acquisitions of Skypersonic and Teal. Headcount at Teal has doubled with the addition of skilled engineering talent required to design an expanded manufacturing facility and incorporate technical product enhancements requested by customers
- Cash and marketable securities were approximately $56 million as of January 31, 2022

"All our business divisions are well-positioned to benefit from current tailwinds in the drone industry. The current conflict in Ukraine is leading to many inquiries for Teal's Golden Eagle drone and we are optimistic that many of these will be converted into material contracts," commented Red Cat CEO Jeff Thompson. "Over the longer term, our selection as one of just two companies awarded the Short Range Reconnaissance Tranche 2 $1.5 million

prototype contract, which may lead to a production contract award. The production award for Tranche 1 was $100 million. Ultimately, there is the Tranche 3 prototype and production awards that Teal will also be competing for. We are committed to increasing Teal's production capacity to meet the strong demand we see from current contracts and in our pipeline.

"Skypersonic and its unique drone inspection service platform is ideally positioned to benefit from the federal Infrastructure Bill that was passed in 2021. We would expect increased commercial activity related to this opportunity later in 2022 and into 2023.

"With our strong balance sheet and numerous opportunities ahead, we look forward to keeping investors informed of our commercial progress and thank investors for their continued support," concluded Mr. Thompson.

"We invested significantly in hiring the engineering talent required to support our expanded manufacturing facility at Teal including the technical enhancements that our military customers are seeking," stated Joseph Hernon, Chief Financial Officer. "Our financial position remains strong with almost $56 million of cash and marketable securities and debt obligations less than $3 million."

**RED CAT HOLDINGS**
**Condensed Consolidated Balance Sheets**
**(Unaudited)**

| | January 31, 2022 | April 30, 2021 |
|---|---|---|
| **ASSETS** | | |
| **Cash and marketable securities** | $ 55,557,829 | $ 277,347 |
| **Inventory, including deposits** | 3,879,159 | 841,011 |
| **Intangible assets, including goodwill** | 28,012,942 | 10,049,502 |
| **Other** | 2,934,752 | 525,505 |
| **TOTAL ASSETS** | **90,384,682** | **11,693,365** |
| | | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| **Accounts payable and accrued expenses** | 2,351,451 | 1,202,049 |
| **Debt obligations** | 2,466,728 | 269,045 |
| **Warrant derivative liability** | 1,350,099 | 2,812,767 |
| **Other** | 876,156 | 2,143,209 |
| **Total Liabilities** | 7,044,434 | 6,427,070 |
| | | |
| **Stockholders' Equity** | | |
| **Stockholders' capital** | 106,011,208 | 21,076,223 |
| **Accumulated deficit** | (22,670,960) | (15,809,928) |
| **Total Stockholders' Equity** | 83,340,248 | 5,266,295 |
| **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | **$ 90,384,682** | **$ 11,693,365** |

**RED CAT HOLDINGS**
**Condensed Consolidated Statements of Operations**
**(Unaudited)**

| | Three months ended January 31, | | Nine months ended January 31, | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| **Revenues** | $ 1,856,751 | $ 2,145,988 | $ 5,116,741 | $ 3,122,077 |
| **Cost of goods sold** | 1,516,970 | 1,576,265 | 4,521,974 | 2,351,153 |
| **Gross Margin** | 339,781 | 569,723 | 594,767 | 770,924 |
| **Operating Expenses** | | | | |
| **Operations** | 334,278 | 146,539 | 794,390 | 353,295 |
| **Research and development** | 811,288 | 167,968 | 1,548,983 | 341,892 |
| **Sales and marketing** | 238,624 | 48,719 | 524,642 | 97,534 |
| **General and administrative** | 1,337,183 | 499,155 | 3,264,071 | 929,874 |
| **Stock based compensation** | 782,123 | 854,195 | 2,066,146 | 1,068,317 |
| **Total operating expenses** | 3,503,496 | 1,716,576 | 8,198,232 | 2,790,912 |
| **Operating loss** | (3,163,715) | (1,146,853) | (7,603,465) | (2,019,988) |
| **Other Expense (Income)** | (598,898) | 7,837,407 | (740,275) | 8,069,797 |
| **Net loss** | **($2,564,817)** | **($8,984,260)** | **($6,863,190)** | **($10,089,785)** |
| **Loss per share - basic and diluted** | **$ (0.05)** | **$ (0.34)** | **$ (0.15)** | **$ (0.46)** |
| **Weighted average shares outstanding - basic and diluted** | **53,592,927** | **26,232,755** | **46,604,898** | **22,161,745** |

**RED CAT HOLDINGS**
**Condensed Consolidated Cash Flows Statements**
**(Unaudited)**

| | Nine months ended January 31, | |
|---|---|---|
| | **2022** | **2021** |
| **Cash Flows from Operating Activities** | | |
| **Net loss** | $ (6,863,190) | $ (10,089,785) |
| **Non-cash expenses** | 1,083,885 | 9,217,301 |
| **Changes in operating assets and liabilities** | (6,259,810) | (44,532) |
| **Net cash used in operating activities** | (12,039,115) | (917,016) |
| **Cash Flows from Investing Activities** | | |
| **Purchases of marketable securities, net** | (48,446,302) | - |
| **Other, net** | (67,715) | (48,368) |
| **Net cash used in investing activities** | (48,514,017) | (48,368) |

| | | |
|---|---|---|
| **Cash Flows from Financing Activities** | | |
| **(Payments) proceeds of debt obligations** | (2,663,931) | 1,200,368 |
| **Proceeds from issuance of equity, net** | 70,051,243 | - |
| **Net cash provided by financing activities** | 67,387,312 | 1,200,368 |
| | | |
| **Net increase in cash and cash equivalents** | 6,834,180 | 234,984 |
| **Cash and cash equivalents, beginning of period** | 277,347 | 236,668 |
| **Cash and cash equivalents, end of period** | 7,111,527 | 471,652 |
| **Marketable securities** | 48,446,302 | - |
| **Cash and marketable securities** | **$ 55,557,829** | **$ 471,652** |

## Conference Call Today

Jeff Thompson, CEO and Joseph Hernon, CFO will also host a conference call at 5:00 p.m. ET on Thursday, March 17 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/10164315/f1ca1b35e3.

The conference call will also be available through a live webcast that can be accessed at https://dpregister.com/sreg/10164315/f1ca1b35e3.

The webcast replay will be available until June 17, 2022 and can be accessed through the above link or on the Company's website. A telephonic replay will be available until March 31, 2022, by calling 1-877-344-7529 (domestic) or 1-412-317-0088 (international) and using access code 5639695.

### About Red Cat Holdings, Inc.

Red Cat provides drone-based products, services, and solutions through its five subsidiaries and services the enterprise, military, and consumer markets. Teal Drones is a leader in unmanned aircraft systems (UAS), and its Golden Eagle is one of only five drones approved by the Department of Defense for reconnaissance, public safety, and inspection applications. Skypersonic's technology enables 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. Fat Shark is a leading provider of First Person View (FPV) video goggles. Rotor Riot, LLC is a reseller of FPV drones and equipment, primarily to the consumer marketplace. 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.

***For Investor Relations Inquiries:***

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