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.

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