July 27, 2023

Red Cat Holdings Reports Financial Results for Fiscal Year Ended April 30, 2023 and Provides Business Update

SAN JUAN, Puerto Rico, July 27, 2023 (GLOBE NEWSWIRE) -- Red Cat Holdings, Inc. (Nasdaq: RCAT) ("Red Cat" or "Company"), a drone technology company integrating robotic hardware and software for military, government, and commercial operations, reports its financial results for the fiscal year ended April 30, 2023 and provides a business update.

Recent Operational Highlights:

- Launched the Teal 2, a military-grade sUAS designed to "Dominate the Night™"
- Teal 2 designation as Blue UAS received from U.S. Department of Defense
- Completed construction of manufacturing facility in Salt Lake City, Utah and scaling production to meet expected demand
- Awarded increases in prototype development contract under U.S. Army Tranche 2 Program with additional increases expected in Fiscal 2024
- Teal 2 now available for purchase through U.S. Government's GSA Advantage website, facilitating the ability of government agencies to expedite purchase orders
- Completed second phase of partnership with Athena AI to enhance the artificial intelligence and computer vision capabilities of the Teal 2

Fiscal Year 2023 Financial Highlights:

- Consolidated revenues in fiscal 2023 increased 54% year-over-year to $9.9 million
- Enterprise revenues increased by more than 100% in fiscal 2023 and was entirely attributable to Teal Drones subsidiary
- Completed significant capital investment in new manufacturing facility in Salt Lake City with manufacturing capacity currently at 100 units per month and scaling higher
- Higher inventory balances established in preparation for projected continued increases in order levels

"The Teal 2 system is a game changer for Group One drones. It has the best-in-class thermal imaging camera, which is optimized for nighttime operations," commented Red Cat CEO Jeff Thompson. "The Teal 2 is an open platform, which allows easy integration with software partners to provide added capabilities. The system enables multi-vehicle control where one operator can fly 4 drones simultaneously, and each drone has target recognition and battle tracking through computer vision and artificial intelligence. Commanders and warfighters have not had this capability in a Group One drone until now and we are getting a great response in the marketplace.

"During fiscal 2023, our Business Development and Sales teams worked diligently to develop strong relationships with a wide range of government agencies. These efforts are extensive and challenging, but once secured can yield long term, recurring orders and

revenues," added Mr. Thompson. "During fiscal 2023, we generated revenues through the Army's Tranche II program, the U.S. Border Patrol, and a NATO member country. With these relationships now established, we look forward to additional orders from these and other U.S. government agencies, including other military branches, especially since the Teal 2 can be purchased on the government's GSA Advantage web site."

"We made significant investments in fiscal 2023 that position Red Cat for success in fiscal 2024," stated Joseph Hernon, Chief Financial Officer. "We completed construction of our manufacturing facility in Utah, hired a team of talented engineers and professionals that successfully launched the Teal 2 in April 2023, and built inventory levels that will enable us to fulfill forecast demand in fiscal 2024."

Conference Call Today

CEO Jeff Thompson and CFO Joseph Hernon will host an earnings conference call today (July 27, 2023) at 4:30 p.m. ET to review financial results and provide an update on corporate developments. Following management's formal remarks, there will be a question-and-answer session.

Interested parties can listen to the conference call by dialing 1-866-777-2509 (within the U.S.) or 1-412-317-5413 (international). Callers should dial in approximately ten minutes prior to the start time and ask to be connected to the Red Cat conference call. Participants can also pre-register for the call using the following link:
https://dpregister.com/sreg/10181274/fa066b329a

The conference call will also be available through a live webcast that can be accessed at:
https://event.choruscall.com/mediaframe/webcast.html?webcastid=Eh1TvLIw

A replay of the webcast will be available until October 27, 2023 and can be accessed through the above link or at www.redcatholdings.com. A telephonic replay will be available until August 10, 2023 by calling 1-877-344-7529 (domestic) or 1-412-317-0088 (international) and using access code 7432539.

About Red Cat Holdings, Inc.
Red Cat (Nasdaq: RCAT) 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. Learn more at 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
Condensed Consolidated Balance Sheets

	April 30, 2023	April 30, 2022
ASSETS		
Cash and marketable securities	$ 16,074,343	$ 48,875,184
Intangible assets including goodwill, net	24,355,836	27,837,281
Inventory, including deposits	14,408,065	5,602,955
Accounts receivable, net	780,969	495,506
Other	4,573,877	2,267,699
TOTAL ASSETS	**$ 60,193,090**	**$ 85,078,625**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued expenses	$ 2,919,015	$ 2,541,171
Debt obligations	1,323,707	1,970,661
Warrant derivative liability	588,205	1,607,497
Other	752,538	1,043,624
Total liabilities	5,583,465	7,162,953
Stockholders’ capital	110,057,535	106,885,000

Accumulated deficit/comprehensive loss	(55,447,910)	(28,969,328)
Total stockholders' equity	54,609,625	77,915,672
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 60,193,090**	**$ 85,078,625**

Condensed Consolidated Statements of Operations

	Year ended April 30,	
	2023	**2022**
Revenues	$ 9,911,780	$ 6,428,963
Cost of goods sold	10,248,575	5,503,448
Gross margin	(336,795)	925,515
Operating expenses		
Operations	4,411,685	1,353,904
Research and development	5,248,336	2,606,141
Sales and marketing	4,028,007	1,127,532
General and administrative	6,618,596	5,548,589
Stock based compensation	3,656,724	3,291,635
Impairment loss	2,826,918	—
Total operating expenses	26,790,266	13,927,801
Operating loss	(27,127,061)	(13,002,286)
Other (income) expense		
Change in fair value of derivative liability	(1,019,292)	(1,042,129)
Other	979,968	(271,029)
Other (income) expense	(39,324)	(1,313,158)
Net loss	**$(27,087,737)**	**$(11,689,128)**
Loss per share - basic and diluted	**$ (0.5)**	**$ (0.24)**
Weighted average shares outstanding - basic and diluted	**53,860,199**	**48,220,265**

Condensed Consolidated Statements of Cash Flows

	Year ended April 30,	
	2023	**2022**
Cash Flows from Operating Activities		
Net loss	$(27,087,737)	$(11,689,128)
Non-cash expenses	6,765,072	2,764,709
Changes in operating assets and liabilities	(8,876,755)	(7,094,901)
Net cash used in operating activities	(29,199,420)	(16,019,320)
Cash Flows from Investing Activities		
Proceeds from (purchases of) sale of marketable securities, net	32,290,448	(46,264,663)
Other, net	(2,700,213)	(338,823)
Net cash provided by (used in) investing activities	29,590,235	(46,603,486)
Cash Flows from Financing Activities		
Payments of debt obligations	(633,550)	(2,900,709)
Proceeds from issuance of equity, net	—	70,165,202
Payments from employee equity transactions	(581,775)	(834,219)
Net cash (used in) provided by financing activities	(1,215,325)	66,430,274
Net (decrease) increase in Cash	(824,510)	3,807,468
Cash, beginning of period	4,084,815	277,347
Cash, end of period	3,260,305	4,084,815
Marketable securities	12,814,038	44,790,369
Cash and marketable securities	$ 16,074,343	$ 48,875,184

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Source: Red Cat Holdings, Inc.