

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2025

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-40202

Red Cat Holdings, Inc.

(Exact name of registrant as specified in its charter)

Nevada	88-0490034
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
15 Ave. Munoz Rivera, Ste 2200 San Juan, PR	00901
(Address of principal executive offices)	(Zip Code)

(800) 466-9152

(Registrant’s telephone number, including area code)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.001	RCAT	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 11, 2025, there were 119,371,139 shares of the registrant’s common stock outstanding.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA

This Quarterly Report on Form 10-Q contains certain forward-looking statements which are made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Any statements in this Quarterly Report on Form 10-Q about our expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and are forward-looking statements. These statements are often, but not always, made through the use of words or phrases such as “may,” “should,” “believes,” “will,” “expects,” “anticipates,” “estimates,” “predicts,” “potential,” “continues,” “intends,” “plans” and “would” or the negative of these terms or other comparable terminology. For example, statements concerning financial condition, possible or assumed future results of operations, growth opportunities, and plans are all forward-looking statements. Our forward-looking statements are based on a series of expectations, assumptions, estimates and projections about our company, are not guarantees of future results or performance and involve substantial risks and uncertainty. They involve known and unknown risks, uncertainties and assumptions that may cause actual results, levels of activity, performance or achievements to differ materially from any results, levels of activity, performance or achievements expressed or implied by any forward-looking statement. We may not actually achieve the plans, intentions or expectations disclosed in these forward-looking statements. Our business and our forward-looking statements involve substantial known and unknown risks and uncertainties, including the risks and uncertainties inherent in our statements regarding:

- the market and sales success of our existing and any new products;
- our ability to raise capital when needed and on acceptable terms;
- our ability to make acquisitions and integrate acquired businesses into our company;
- our ability to attract and retain management;
- the intensity of competition;
- changes in the political and regulatory environment and in business and economic conditions in the United States and globally;
- changes in macroeconomic conditions, including inflation, interest rates, and geopolitical conflicts;
- the imposition or increase of tariffs and other trade barriers that could impact the cost of raw materials, components, and finished goods;
- delays or disruptions in our supply chain due to global trade restrictions or political instability;
- fluctuations in customer demand in response to broader economic conditions; and
- government shutdowns, which could adversely impact any existing programs, including the timely payment of prior shipment, as well as receipt of future orders;

All of our forward-looking statements are as of the date of this Quarterly Report on Form 10-Q only. In each case, actual results may differ materially from such forward-looking information. We can give no assurance that such expectations or forward-looking statements will prove to be correct. An occurrence of, or any material adverse change in, one or more of the risk factors or risks and uncertainties referred to in this Quarterly Report on Form 10-Q or included in our other public disclosures or our other periodic reports or other documents or filings filed with or furnished to the U.S. Securities and Exchange Commission (the “SEC”) could materially and adversely affect our business, prospects, financial condition and results of operations. Except as required by law, we do not undertake or plan to update or revise any such forward-looking statements to reflect actual results, changes in plans, assumptions, estimates or projections or other circumstances affecting such forward-looking statements occurring after the date of this Quarterly Report on Form 10-Q, even if such results, changes or circumstances make it clear that any forward-looking information will not be realized. Any public statements or disclosures by us following this Quarterly Report on Form 10-Q that modify or impact any of the forward-looking statements contained in this Quarterly Report on Form 10-Q will be deemed to modify or supersede such statements in this Quarterly Report on Form 10-Q.

This Quarterly Report on Form 10-Q may include market data and certain industry data and forecasts, which we may obtain from internal company surveys, market research, consultant surveys, publicly available information, reports of governmental agencies and industry publications, articles and surveys. Industry surveys, publications, consultant surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. While we believe that such studies and publications are reliable, we have not independently verified market and industry data from third-party sources. Given these uncertainties, readers of this Quarterly Report on Form 10-Q are cautioned not to place undue reliance on such forward-looking statements. We disclaim any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

All references in this Quarterly Report on Form 10-Q to the “Company,” “we,” “us,” or “our,” are to Red Cat Holdings, Inc., a Nevada corporation, including its wholly owned consolidated subsidiaries, which include Skypersonic, Inc. (“Skypersonic”), Teal Drones, Inc. (“Teal”), Red Cat Propware, Inc. (“Propware”), FW Acquisition, Inc. (“FlightWave”), Blue Ops, Inc. (“Blue Ops”), and UAVPatent Corp.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

RED CAT HOLDINGS, INC.
Condensed Consolidated Balance Sheets
(Unaudited)

	September 30, 2025	December 31, 2024
ASSETS		
Current assets		
Cash	\$ 206,425,996	\$ 9,154,297
Accounts receivable, net	6,106,951	489,316
Inventory	22,642,051	12,950,941
Prepaid inventory	7,953,616	641,959
Prepaid expenses and other current assets	5,673,884	2,561,744
Total current assets	248,802,498	25,798,257
Goodwill	17,671,065	17,671,065
Intangible assets, net	7,294,798	8,453,068
Property and equipment, net	2,634,486	1,880,709
Other long-term assets	1,185,813	309,823
Operating lease right-of-use assets	8,435,706	1,491,345
Total long-term assets	37,221,868	29,806,010
TOTAL ASSETS	\$ 286,024,366	\$ 55,604,267
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 2,974,836	\$ 2,049,519
Accrued expenses	6,192,798	1,240,115
Debt obligations	350,000	350,000
Contract liabilities and deposits	467,914	227,484
Operating lease liabilities – short term	550,020	311,532
Convertible notes payable	13,351,000	—
Total current liabilities	23,886,568	4,178,650
Deferred income taxes	694,562	—
Operating lease liabilities	8,169,367	1,306,064
Total long-term liabilities	8,863,929	1,306,064
Total liabilities	32,750,497	5,484,714
Commitments and contingencies (Note 18)		
Stockholders' equity		
Series B preferred stock, \$0.001 par value - shares authorized 4,300,000; issued and outstanding 4,676 and 4,676	47	47
Common stock, \$0.001 par value - shares authorized 500,000,000; issued and outstanding 118,162,270 and 85,215,136	118,162	85,215
Additional paid-in capital	430,319,122	174,778,994
Accumulated deficit	(177,163,462)	(124,744,703)
Total stockholders' equity	253,273,869	50,119,553
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 286,024,366	\$ 55,604,267

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

RED CAT HOLDINGS, INC.
Condensed Consolidated Statements of Operations
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Revenues	\$ 9,646,392	\$ 1,292,447	\$ 14,494,631	\$ 14,326,145
Cost of goods sold	9,008,890	1,684,410	14,332,485	13,329,100
Gross profit (loss)	637,502	(391,963)	162,146	997,045
Operating Expenses				
Research and development	5,968,131	1,879,486	12,998,991	4,838,004
Sales and marketing	2,984,677	1,968,441	9,487,010	5,582,469
General and administrative	9,215,783	4,108,844	20,331,980	9,931,624
Impairment loss	—	93,050	—	506,049
Total operating expenses	18,168,591	8,049,821	42,817,981	20,858,146
Operating loss	(17,531,089)	(8,441,784)	(42,655,835)	(19,861,101)
Other (income) expense				
Convertible notes payable fair value adjustment	1,451,996	—	12,939,387	—
Gain on extinguishment of convertible notes payable	(2,448,328)	—	(2,448,328)	—
Interest (income) expense, net	(771,101)	17,166	(980,927)	39,292
Loss on sale of equity method investment	—	4,008,357	—	4,008,357
Gain on divestiture of consumer segment	—	—	—	(9,642,428)
Impairment on equity method investment	—	—	—	11,353,875
Equity method loss	—	—	—	1,237,768
Other income, net	(441,770)	(33,589)	(441,770)	(856,605)
Total other (income) expense	(2,209,203)	3,991,934	9,068,362	6,140,259
Loss from continuing operations before provision for income taxes	(15,321,886)	(12,433,718)	(51,724,197)	(26,001,360)
Provision for income taxes	694,562	—	694,562	—
Net loss from continuing operations	(16,016,448)	(12,433,718)	(52,418,759)	(26,001,360)
Loss from discontinued operations	—	—	—	(1,373,457)
Net loss	<u>\$ (16,016,448)</u>	<u>\$ (12,433,718)</u>	<u>\$ (52,418,759)</u>	<u>\$ (27,374,817)</u>
Loss per share - basic and diluted				
Continuing operations	\$ (0.16)	\$ (0.16)	\$ (0.57)	\$ (0.35)
Discontinued operations	—	—	—	(0.02)
Loss per share - basic and diluted	<u>\$ (0.16)</u>	<u>\$ (0.16)</u>	<u>\$ (0.57)</u>	<u>\$ (0.37)</u>
Weighted average shares outstanding - basic and diluted	<u>99,581,172</u>	<u>75,743,971</u>	<u>92,127,345</u>	<u>74,732,056</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

RED CAT HOLDINGS, INC.
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)

	Series B Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Equity
	Shares	Amount	Shares	Amount				
Balances, December 31, 2023	4,676	\$ 47	74,166,262	\$ 74,166	\$ 123,125,007	\$ (71,434,754)	\$ 4,621	\$ 51,769,087
Stock based compensation	—	—	—	—	805,634	—	—	805,634
Vesting of restricted stock units	—	—	116,247	116	(9,767)	—	—	(9,651)
Net loss	—	—	—	—	—	(6,781,080)	—	(6,781,080)
Balances, March 31, 2024	4,676	\$ 47	74,282,509	\$ 74,282	\$ 123,920,874	\$ (78,215,834)	\$ 4,621	\$ 45,783,990
Stock based compensation	—	—	—	—	958,406	—	—	958,406
Vesting of restricted stock units	—	—	298,144	298	(163,777)	—	—	(163,479)
Net loss	—	—	—	—	—	(8,160,019)	—	(8,160,019)
Balances, June 30, 2024	4,676	\$ 47	74,580,653	\$ 74,580	\$ 124,715,503	\$ (86,375,853)	\$ 4,621	\$ 38,418,898
Stock based compensation	—	—	—	—	1,277,178	—	—	1,277,178
Vesting of restricted stock units	—	—	308,735	309	(412,203)	—	—	(411,894)
Exercise of warrants	—	—	530,578	531	(531)	—	—	—
Exercise of stock options	—	—	26,904	27	4,040	—	—	4,067
Acquisition of FlightWave	—	—	2,544,991	2,545	6,997,455	—	—	7,000,000
Currency translation adjustments	—	—	—	—	—	—	(4,621)	(4,621)
Net loss	—	—	—	—	—	(12,433,718)	—	(12,433,718)
Balances, September 30, 2024	4,676	\$ 47	77,991,861	\$ 77,992	\$ 132,581,442	\$ (98,809,571)	\$ —	\$ 33,849,910
Balances, December 31, 2024	4,676	\$ 47	85,215,136	\$ 85,215	\$ 174,778,994	\$ (124,744,703)	\$ —	\$ 50,119,553
Stock based compensation	—	—	—	—	1,598,972	—	—	1,598,972
Exercise of warrants	—	—	49,843	50	(50)	—	—	—
Exercise of stock options	—	—	488,969	489	315,585	—	—	316,074
Retirement of common shares	—	—	(106,330)	(106)	106	—	—	—
Net loss	—	—	—	—	—	(23,123,351)	—	(23,123,351)
Balances, March 31, 2025	4,676	\$ 47	85,647,618	\$ 85,648	\$ 176,693,607	\$ (147,868,054)	\$ —	\$ 28,911,248
Stock based compensation	—	—	—	—	2,035,061	—	—	2,035,061
Exercise of warrants	—	—	200,000	200	299,800	—	—	300,000
Exercise of stock options	—	—	907,099	907	992,556	—	—	993,463
Public offerings, net of \$4,981,972 of issuance costs	—	—	11,172,688	11,173	71,756,871	—	—	71,768,044

Conversion of convertible notes into common stock	—	—	704,451	704	4,835,562	—	—	4,836,266
Acquisition adjustment	—	—	(121,513)	(122)	122	—	—	—
Net loss	—	—	—	—	—	(13,278,960)	—	(13,278,960)
Balances, June 30, 2025	4,676	\$ 47	98,510,343	\$ 98,510	\$ 256,613,579	\$ (161,147,014)	\$ —	\$ 95,565,122
Stock based compensation	—	—	—	—	3,621,387	—	—	3,621,387
Vesting of restricted stock units	—	—	30,000	30	(30)	—	—	—
Exercise of warrants	—	—	309,737	310	2,285,690	—	—	2,286,000
Exercise of stock options	—	—	601,282	601	150,073	—	—	150,674
Public offerings, net of \$9,918,430 of issuance costs	—	—	17,968,750	17,969	162,562,493	—	—	162,580,462
Conversion of convertible notes into common stock	—	—	742,158	742	5,085,930	—	—	5,086,672
Net loss	—	—	—	—	—	(16,016,448)	—	(16,016,448)
Balances, September 30, 2025	4,676	\$ 47	118,162,270	\$ 118,162	\$ 430,319,122	\$ (177,163,462)	\$ —	\$ 253,273,869

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

RED CAT HOLDINGS, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine months ended September 30,	
	2025	2024
Cash Flows from Operating Activities		
Net loss	\$ (52,418,759)	\$ (27,374,817)
Net loss from discontinued operations	—	(1,373,457)
Net loss from continuing operations	(52,418,759)	(26,001,360)
Adjustments to reconcile net loss to net cash used in operations:		
Stock based compensation	7,255,420	3,041,217
Amortization of intangible assets	1,158,270	571,099
Depreciation	495,440	640,342
Deferred income taxes	694,562	—
Payments of taxes related to equity transactions	—	(580,955)
Gain on divestiture of consumer segment	—	(9,642,428)
Impairment on equity method investment	—	11,353,875
Equity method loss	—	1,237,768
Impairment on goodwill and intangible assets	—	506,049
Loss on sale of equity method investment and note receivable	—	4,008,357
Convertible notes payable fair value adjustment	12,939,387	—
Gain on extinguishment of convertible notes payable	(2,448,328)	—
Changes in operating assets and liabilities, net of acquisitions		
Accounts receivable	(5,617,635)	167,487
Inventory	(9,691,110)	548,769
Prepaid inventory	(7,311,657)	1,243,974
Prepaid expenses and other current and long-term assets	(3,988,130)	(1,165,521)
Operating lease right-of-use assets and liabilities	157,430	(64,480)
Contract liabilities and deposits	240,430	(19,746)
Accounts payable	925,317	(840,865)
Accrued expenses	4,952,683	303,652
Net cash used in operating activities of continuing operations	(52,656,680)	(14,692,766)
Cash Flows from Investing Activities		
Proceeds from divestiture of consumer segment	—	1,000,000
Proceeds from sale of equity method investment and note receivable	—	4,400,000
Purchases of property and equipment	(1,249,217)	(149,686)
Net cash (used in) provided by investing activities of continuing operations	(1,249,217)	5,250,314
Cash Flows from Financing Activities		
Proceeds from issuance of common stock through public offerings	249,248,908	—
Payment of costs related to public offerings	(14,900,402)	—
Proceeds from issuance of convertible notes payable	15,000,000	—
Debt issuance costs	(567,121)	—
Payments of convertible notes payable	(1,650,000)	—
Proceeds from exercise of stock options	1,460,211	—
Proceeds from exercise of warrants	2,586,000	—
Payments under debt obligations	—	(588,003)
Net cash provided by (used in) financing activities of continuing operations	251,177,596	(588,003)
Discontinued operations		
Operating activities	—	(74,556)
Investing activities	—	—
Financing activities	—	(120,413)
Net cash used in discontinued operations	—	(194,969)
Net increase (decrease) in Cash	197,271,699	(10,225,424)
Cash, beginning of period	9,154,297	10,245,064
Cash, end of period	\$ 206,425,996	\$ 19,640
Cash paid for interest	\$ —	\$ 29,498
Cash paid for income taxes	\$ —	\$ —

Non-cash transactions		
Conversion of convertible notes into common stock	\$ 12,371,266	\$ —
Equity method investment from divestiture of consumer segment	\$ —	\$ 17,000,000
Fair value of shares issued in acquisition	\$ —	\$ 7,000,000
Acquisition consideration payable	\$ —	\$ 7,000,000
Note receivable from divestiture of consumer segment	\$ —	\$ 4,000,000
Net assets assumed in acquisition	\$ —	\$ 31,435

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

RED CAT HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 – The Business

Red Cat Holdings, Inc. (the “Company”) was originally incorporated in February 1984. The Company is a drone technology company integrating robotic hardware and software for military, government and commercial operation. Since April 2016, the Company’s primary business has been to provide products, services, and solutions to the drone industry.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation – The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and with the instructions of Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments, consisting only of normal recurring adjustments necessary for a fair presentation with respect to the interim financial statements have been included. The results of operations for the nine months ended September 30, 2025 are not necessarily indicative of the results for the full year. For further information, refer to the consolidated financial statements and footnotes thereto for the eight month transition period ended December 31, 2024, included in the Company’s Transition Report on Form 10-KT.

Principles of Consolidation – Our condensed consolidated financial statements include the accounts of our wholly owned subsidiaries which include Teal, FlightWave (beginning on September 5, 2024), Skypersonic, and Blue Ops (beginning on July 1, 2025), as well as Rotor Riot LLC (“Rotor Riot”) and Fat Shark Holdings, Ltd. (“Fat Shark”) through the sale date of February 16, 2024. Non-majority owned investments, including the formerly wholly owned subsidiaries Rotor Riot and Fat Shark, were accounted for using the equity method when the Company was able to significantly influence the operating policies of the investee. Intercompany transactions and balances have been eliminated.

The Consumer segment businesses are characterized as discontinued operations in these financial statements. The operating results and cash flows of discontinued operations are separately stated in those respective financial statements. See Note 4.

Segments – The Company operates as one operating segment. Operating segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the chief operating decision maker (“CODM”), who is the Company’s Chief Executive Officer, in deciding how to allocate resources and assess performance. The Company’s CODM evaluates the Company’s financial information and resources, and assesses the performance of the resources, on a consolidated net income basis. The measure of segment assets is reported on the condensed consolidated balance sheets as total consolidated assets. The Company’s significant segment expenses, which are included in operating loss as well as other expense are included in the Company’s condensed consolidated statements of operations. Additionally, further components of the Company’s measure of profit or loss, which is net loss, are included throughout the Company’s financial statements.

Use of Estimates – The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates reflected in these financial statements include those used to (i) complete purchase price accounting for acquisitions, (ii) the evaluation of long-term assets, including goodwill, for impairment, (iii) the evaluation of other-than-temporary-impairment of equity method investments, and (iv) valuations of convertible notes payable.

Concentration of Credit Risk – Financial instruments, which potentially subject the Company to concentrations of credit risk, include trade receivables. In the normal course of business, the Company provides credit terms to its customers. Accordingly, the Company performs ongoing credit evaluations of its customers, generally does not require collateral and considers the credit risk profile of the customer from which the receivable is due in further evaluating collection risk.

Customers that accounted for 10% or greater of accounts receivable, net as of September 30, 2025 and December 31, 2024 were as follows:

	September 30, 2025	December 31, 2024
Customer A	62%	*
Customer B	*	36%
Customer C	*	17%
Customer D	*	15%

* Accounts Receivable was less than 10%

During the nine months ended September 30, 2025, two customers accounted for equal to or greater than 10% of total revenue, totaling 45%, and 13%, respectively. During the nine months ended September 30, 2024, four customers accounted for equal to or greater than 10% of total revenue, totaling 22%, 19%, 12%, and 10%, respectively.

Fair Values, Inputs and Valuation Techniques for Financial Assets and Liabilities, and Related Disclosures – The fair value measurements and disclosure guidance defines fair value and establishes a framework for measuring fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. In accordance with this guidance, the Company has categorized its recurring basis financial assets and liabilities into a three-level fair value hierarchy based on the priority of the inputs to the valuation technique.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The guidance establishes three levels of the fair value hierarchy as follows:

Level 1: Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2: Inputs are observable, unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities; and

Level 3: Unobservable inputs that are significant to the measurement of the fair value of the assets or liabilities that are supported by little or no market data.

The Company's financial instruments mainly consist of cash, accounts receivable, current assets, investment in equity securities, accounts payable, accrued expenses, debt obligations, and convertible notes payable. The recorded carrying amounts of cash, accounts receivable, current assets, accounts payable, accrued expenses, and debt obligations are considered to approximate their estimated fair values due to their short-term nature. Liabilities recognized at fair value on a recurring basis in the consolidated balance sheets consist of convertible notes payable. These items are categorized based upon the level of judgment associated with the inputs used to measure their fair values. Fair value is defined as the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following table summarizes the Company's financial instruments at fair value based on the fair value hierarchy for each class of instrument as of September 30, 2025:

	Level 1	Level 2	Level 3	Total
Convertible notes payable	\$ —	\$ —	\$ 13,351,000	\$ 13,351,000
Investment in equity securities	—	—	691,770	691,770
Total	\$ —	\$ —	\$ 14,042,770	\$ 14,042,770

Convertible Notes Payable

The Company measures its convertible notes payable at fair value based on significant inputs not observable in the market, which caused them to be classified as Level 3 measurements within the fair value hierarchy. Changes in the fair value of the convertible notes payable related to updated assumptions and estimates were recognized as a convertible notes payable fair value adjustment within the consolidated statements of operations.

In determining the fair value of the convertible notes payable as of September 30, 2025, the Company used a market-based approach. The valuation method utilized a negotiated discount rate and a market yield rate which are unobservable inputs.

An increase or decrease in any of the unobservable inputs in isolation could result in a material increase or decrease in the estimated fair value. In the future, depending on the weight of evidence and valuation approaches used, these or other inputs may have a more significant impact on the estimated fair value.

The Company calculated the estimated fair value of the convertible notes payable during the nine months ended September 30, 2025 using the following assumptions:

Issuance date	2/10/2025
Maturity date	5/10/2026
Stock price	5.88 - 10.35
Expected volatility factor	124.8% - 137.2%
Risk-free interest rate	3.70% - 4.25%

The following table presents changes in the Level 3 convertible notes payable measured at fair value for the nine months ended September 30, 2025:

Balance, January 1, 2025	\$ —
Additions	14,432,879
Fair value measurement adjustments	12,939,387
Redemption	(1,650,000)
Conversion into common stock	(12,371,266)
Balance, September 30, 2025	\$ 13,351,000

Warrants

The fair value of the warrants issued during the nine months ended September 30, 2025 was estimated using a Monte Carlo simulation model. The significant unobservable inputs for the Monte Carlo model include the stock price, exercise price, risk-free rate of return, time to expiration, and the volatility. An increase or decrease in the unobservable inputs in isolation could result in a material increase or decrease in the estimated fair value. In the future, depending on the weight of evidence and valuation approaches used, these or other inputs may have a more significant impact on the estimated fair value. Additionally, if certain provisions are triggered, reset adjustments may be required in the future. For the nine months ended September 30, 2025, no value was assigned to the warrants due to the fair market value of the convertible note payable being in excess of the proceeds received.

Investment in Equity Securities

The Company holds an investment in equity securities of a private company without a readily determinable fair value. The Company has elected to measure this investment at fair value based on significant inputs not observable in the market, which caused them to be classified as Level 3 measurements within the fair value hierarchy. Changes in the fair value are recognized in other (income) loss, net within the consolidated statements of operations.

Revenue Recognition – The Company recognizes revenue in accordance with ASC Topic 606 - Revenue from Contracts with Customers, issued by the Financial Accounting Standards Board. This standard includes a comprehensive evaluation of factors to be considered regarding revenue recognition including (i) identifying the promised goods, (ii) evaluating performance obligations, (iii) measuring the transaction price, (iv) allocating the transaction price to the performance obligations if there are multiple components, and (v) recognizing revenue as each obligation is satisfied. The Company's revenue transactions include the shipment of goods to customers as orders are fulfilled, completion of non-recurring engineering, completion of training, and customer support services. The Company recognizes revenue upon shipment of product or prototypes unless otherwise specified in the purchase order or contract. Customer deposits totaled \$467,644 and \$227,484 at September 30, 2025 and December 31, 2024, respectively. From time to time, non-recurring engineering contracts may involve the capitalization of engineering prototypes, classified as contract assets. Contract assets totaled \$2,484,324 and \$0 at September 30, 2025 and December 31, 2024, respectively, and were included in prepaid expenses and other current assets. Contract liabilities totaled \$270 and \$0 at September 30, 2025 and December 31, 2024, respectively.

The following table presents the Company's revenue disaggregated by revenue type:

	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Product related	\$ 8,471,548	\$ 1,292,447	\$ 12,191,488	\$ 11,115,346
Contract related	1,174,844	—	2,303,143	3,210,799
Total	\$ 9,646,392	\$ 1,292,447	\$ 14,494,631	\$ 14,326,145

Product Warranty – The Company accrues an estimate of its exposure to warranty claims based upon both current and historical product sales data and warranty costs incurred. Product warranty reserves are recorded in current liabilities under accrued expenses. Warranty liability was \$83,052 and \$661,357 as of September 30, 2025 and December 31, 2024, respectively.

Income Taxes – Deferred taxes are provided on the asset and liability method whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Deferred tax assets are recognized to the extent that these assets are more likely than not to be realized.

Recent Accounting Pronouncements – In December 2023, the FASB issued ASU 2023-09 requiring enhanced annual disclosures regarding the rate reconciliation and income taxes paid, disaggregated by jurisdiction. This standard is effective for annual periods beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of ASU 2023-09 on its consolidated financial statements and related disclosures.

In November 2024, the FASB issued ASU 2024-03 expanding disclosure requirements related to certain income statement expenses. The amendments require tabular disclosure of certain operating expenses disaggregated into categories, such as purchases of inventory, employee compensation, depreciation, and intangible asset amortization. The amendments are effective for our fiscal year ending December 31, 2027 and may be applied retrospectively. While the Company is still evaluating the specific impacts and adoption method, the Company anticipates this guidance will have a significant impact on our consolidated financial statement disclosures.

Management does not believe that any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying consolidated financial statements.

Basic and Diluted Net Loss per Share – Basic and diluted net loss per share has been calculated by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Common stock equivalents were

excluded from the computation of diluted net loss per share of common stock because they were anti-dilutive. The conversion or exercise of these common stock equivalents would dilute earnings per share if we become profitable in the future. Outstanding securities not included in the computation of diluted net loss per share because their effect would have been anti-dilutive include:

	September 30, 2025	December 31, 2024
Series B Preferred Stock, as converted	3,896	3,896
Stock options	4,787,364	5,242,308
Warrants	1,313,833	914,056
Restricted stock	2,030,408	1,544,027
Total	8,135,501	7,704,287

Related Parties – Parties are considered to be related to us if they have control or significant influence, directly or indirectly, over us, including key management personnel and members of the Board of Directors or are direct relatives of key management personnel of members of the Board of Directors. Related Party transactions are disclosed in Note 17.

Liquidity and Going Concern – During the past quarter, the Company increased its working capital to \$224,915,930 through a shelf offering in September 2025. The capital raise involved a common stock equity offering which raised gross proceeds of \$172,498,892 and net proceeds of \$162,580,462. This new capital raise is intended to be used for general corporate and working capital purposes, including but not limited to operating expenditures and capital investments related to the Company's new naval unmanned surface vessel division. Because of the significant increase in working capital, the Company no longer has substantial doubt of its ability to continue as a going concern.

Note 3 – Business Combination

On September 4, 2024, the Company entered into an Asset Purchase Agreement (“APA”) with FlightWave Aerospace Systems Corporation (the “Seller”) to broaden the Company’s range of drone products. The Seller sold certain assets used in designing, developing, manufacturing, and selling long range, AI-powered UAVs for commercial use. Pursuant to the APA, the Company has acquired substantially all of the assets owned, controlled or used by the Seller for an aggregate purchase price of \$ 14,000,000 worth of shares of the Company’s common stock, and as such, the asset purchase will be treated as a business combination. The purchase price was payable as follows:

- \$7 million worth of the Company’s common stock issued on September 30, 2024, totaling 2,544,991 shares, equal to the VWAP on such date.
- \$7 million worth of the Company’s common stock issued on December 31, 2024, totaling 698,317 shares, equal to the VWAP on such date.

Goodwill for FlightWave is ascribed to existing relationships with several U.S. government agencies including classification as approved vendors. The Company has reported net losses since its inception and is presently unable to determine when and if the tax benefit of this deduction will be realized.

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The summary of the purchase price and its related allocation at fair market value is as follows:

Shares issued	\$	14,000,000
Total Purchase Price	\$	14,000,000
Assets acquired		
Inventory	\$	297,630
Operating lease right-of-use assets		128,433
Other assets		69,480
Brand name		567,000
Backlog		276,000
Customer relationships		900,000
Proprietary technology		3,705,000
Goodwill		8,675,565
Total assets acquired		14,619,108
Liabilities assumed		
Accounts payable and accrued expenses		264,493
Customer deposits		196,476
Operating lease liabilities		158,139
Total liabilities assumed		619,108
Total fair value of net assets acquired	\$	14,000,000

Brand name, backlog, customer relationships and proprietary technology are included in intangible assets on the consolidated balance sheets. The carrying value of brand name is not being amortized but is reviewed quarterly and formally evaluated at year end for impairment. Customer relationships and proprietary technology are being amortized over seven years. Backlog is being amortized over two years. The excess of the purchase price above the net assets acquired was recorded as goodwill which is reviewed quarterly and formally evaluated at year end.

Supplemental Unaudited Pro Forma Financial Information

The following unaudited pro forma financial information summarizes the results of operations for the Company as though the business combination with Seller had occurred on January 1, 2024. The unaudited pro forma financial information has been presented for illustrative purposes only and is not necessarily indicative of results of operations that would have been achieved had the acquisition taken place on the date indicated, or the future consolidated results of operations of the Company.

	Three months ended September 30, 2024	Nine months ended September 30, 2024
	Consolidated	Consolidated
Revenues	\$ 1,798,984	\$ 15,273,294
Net Loss	(12,707,287)	(28,920,491)
Loss per share – basic and diluted	(0.17)	(0.39)

Note 4 – Divestiture of Consumer Segment

On February 16, 2024, the Company closed the sale of Rotor Riot and Fat Shark to Unusual Machines, Inc (“UMAC”). The sale was conducted pursuant to a Share Purchase Agreement dated November 21, 2022, as amended on April 13, 2023, July 10, 2023, and December 11, 2023 (the “SPA”). The transaction closed concurrently with UMAC’s initial public

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offering and listing on the NYSE American exchange (“IPO”) under the symbol “UMAC.” The sale resulted in a gain that was recorded in the consolidated statements of operations.

The total consideration received by the Company was valued at \$22 million and consisted of i) \$1 million in cash, ii) \$4 million in a secured promissory note (“Promissory Note”) including a post-closing adjustment for excess working capital of \$2 million, iii) \$17 million in securities of UMAC.

Secured Promissory Note

The Promissory Note from UMAC bore interest at a rate of 8% per year, was due 18 months from the date of issue, and required monthly payments of interest due in arrears on the 15th day of each month.

UMAC Securities

The \$17 million worth of UMAC common stock was valued at the IPO price for UMAC’s common stock of \$4.00 per share, resulting in 4,250,000 shares of UMAC common stock being issued to the Company (representing approximately 49% of UMAC’s issued and outstanding common stock after giving effect to the IPO and to the issuance of common stock to the Company upon closing of the IPO). Refer to Note 7 for further information.

Working Capital

The purchase price was adjusted for working capital as of the closing date. Actual working capital excess amounts increased the principal amount of the Promissory Note dollar for dollar. Working capital as of closing was finalized at \$2 million in July 2024. As a result, UMAC issued the Company \$4,000,000 of its 8% Promissory Notes due November 30, 2025 reflecting (i) satisfaction and settlement of working capital adjustments and (ii) a maturity date extension to November 30, 2025.

The Consumer segment has been classified as Discontinued Operations and reported in accordance with the applicable accounting standards. Set forth below are the results of operations for the Consumer segment for:

	Nine months ended September 30,	
	2025	2024
Revenues	\$ —	\$ 494,737
Cost of goods sold	—	1,407,760
Gross loss	—	(913,023)
Operating Expenses		
Research and development	—	13,389
Sales and marketing	—	278,078
General and administrative	—	168,967
Total operating expenses	—	460,434
Operating loss	—	(1,373,457)
Net loss from discontinued operations	\$ —	\$ (1,373,457)

Note 5 – Inventories

Inventories consisted of the following:

	September 30, 2025	December 31, 2024
Raw materials	\$ 16,114,230	\$ 8,421,036
Work-in-process	4,003,267	898,635
Finished goods	2,524,554	3,631,270
Total	<u>\$ 22,642,051</u>	<u>\$ 12,950,941</u>

Note 6 – Intangible Assets

Intangible assets relate to acquisitions completed by the Company, including those described in Note 3, and were as follows:

	September 30, 2025			December 31, 2024		
	Gross Value	Accumulated Amortization	Net Value	Gross Value	Accumulated Amortization	Net Value
Proprietary technology	\$ 7,987,001	\$ (3,569,274)	\$ 4,417,727	\$ 7,987,001	\$ (2,640,323)	\$ 5,346,678
Backlog	276,000	(149,501)	126,499	276,000	(16,610)	259,390
Customer relationships	900,000	(146,428)	753,572	900,000	(50,000)	850,000
Non-compete agreements	65,000	(65,000)	—	65,000	(65,000)	—
Total finite-lived assets	9,228,001	(3,930,203)	5,297,798	9,228,001	(2,771,933)	6,456,068
Brand name	1,997,000	—	1,997,000	1,997,000	—	1,997,000
Total indefinite-lived assets	1,997,000	—	1,997,000	1,997,000	—	1,997,000
Total intangible assets, net	<u>\$ 11,225,001</u>	<u>\$ (3,930,203)</u>	<u>\$ 7,294,798</u>	<u>\$ 11,225,001</u>	<u>\$ (2,771,933)</u>	<u>\$ 8,453,068</u>

Proprietary technology and customer relationships are being amortized over seven years. Non-compete agreements are being amortized over three years. Backlog is being amortized over two years. Brand name is not amortized but reviewed for impairment on a quarterly basis and formally evaluated at year end.

As of September 30, 2025, expected amortization expense for finite-lived intangible assets for the next five years is as follows:

Fiscal Year Ended:

2025	\$ 376,293
2026	1,459,173
2027	1,130,736
2028	657,857
2029	657,857
Thereafter	1,015,882
Total	<u>\$ 5,297,798</u>

Note 7 – Equity Method Investment

On July 22, 2024, the Company sold all of its securities in UMAC to two unaffiliated third-party purchasers (the “Purchasers”). As part of the transaction, on July 22, 2024, the Company entered into an Exchange Agreement with UMAC pursuant to which the Company exchanged 4,250,000 shares of UMAC’s common stock, par value \$0.001 per share, for 4,250 shares of UMAC’s newly designated Series A Convertible Preferred Stock (the “Series A”). The Company sold the Series A ownership interest (\$4,408,357 at time of sale) and the Note Receivable of \$4,000,000 to the Purchasers for \$4.4 million in cash pursuant to a Purchase Agreement in a transaction that closed on July 22, 2024.

Prior to the sale, the Company had owned approximately a 46% interest in UMAC. The primary business operations included selling first-person-view video goggles for drone pilots, drones, parts and related equipment to the consumer marketplace. UMAC’s financial statements are prepared in accordance with GAAP. See Note 4 for additional information.

Financial information for UMAC prior to the sale of the Company’s equity interest was derived from UMAC’s Quarterly Report to the U.S. Securities and Exchange Commission on Form 10-Q for the six months ended June 30, 2024 and was as follows:

Current assets	\$	5,116,963
Long-term assets		20,083,390
Current liabilities		931,200
Long-term liabilities		4,297,332
Revenues		2,030,039
Gross profit		592,607
Net loss	\$	(2,718,240)

The Company’s investments in UMAC have been impacted by the following:

Initial investment, February 16, 2024	\$	17,000,000
Equity method loss		(1,237,768)
Impairment		(11,353,875)
Investment balance, June 30, 2024	\$	4,408,357
Sale of ownership interest		(4,408,357)
Investment balance, July 22, 2024	\$	—

The computation of both the initial investment as of February 16, 2024 and investment balance prior to the sale were based on the fair market value of UMAC’s common stock.

Note 8 – Property and Equipment

Property and equipment consist of assets with an estimated useful life greater than one year and are reported net of accumulated depreciation. The reported values are periodically assessed for impairment, and were as follows:

	September 30, 2025	December 31, 2024
Equipment and related	\$ 2,228,685	\$ 1,633,105
Leasehold improvements	1,646,525	1,556,139
Furniture and fixtures	669,863	226,465
Accumulated depreciation	(1,910,587)	(1,535,000)
Net carrying value	\$ 2,634,486	\$ 1,880,709

Depreciation expense totaled \$495,440 and \$640,342 for the nine months ended September 30, 2025 and 2024, respectively.

Note 9 – Other Long-Term Assets

Other long-term assets included:

	September 30, 2025	December 31, 2024
Investment in equity securities	\$ 691,770	\$ 250,000
Security deposits	494,043	59,823
Total	<u>\$ 1,185,813</u>	<u>\$ 309,823</u>

In November 2022, the Company entered into a SAFE (Simple Agreement for Future Equity) agreement with Firestorm Labs, Inc. ("Firestorm") under which it made a payment of \$250,000 to Firestorm in exchange for the right to certain shares of Firestorm stock. The SAFE provided that the Company's investment would convert into shares of Firestorm's Preferred Stock upon the occurrence of a qualified equity financing. In July 2025, Firestorm completed a Series A Preferred Stock financing, and the Company's SAFE investment converted into shares of Firestorm's Series A Preferred Stock. The Company's investment has been recorded at fair value. Changes in the fair value of the investment are recognized in other income on the condensed consolidated statements of operations.

Note 10 – Right of Use Assets and Liabilities

As of September 30, 2025, the Company had operating type leases for real estate and no finance type leases. The Company's leases have remaining lease terms of up to 8.83 years, including options to extend certain leases for up to ten years. Operating lease expense totaled \$698,756 and \$286,428 for the nine months ended September 30, 2025 and 2024, respectively.

During the nine months ended September 30, 2025, the Company entered into two new operating leases, which resulted in right-of-use assets and lease liabilities of \$5,276,592. The Company also amended an existing lease to expand its office space, which increased right-of-use assets and lease liabilities by \$2,004,011. These transactions represent non-cash additions to right-of-use assets and lease liabilities.

Supplemental information related to operating leases for the nine months ended September 30, 2025 was:

Operating cash paid for leased facilities	\$ 708,929
Weighted average remaining lease term (in years)	6.28
Weighted average discount rate	12%

Future lease payments at September 30, 2025 were as follows:

Fiscal Year Ended:	
2025	\$ 293,288
2026	1,564,559
2027	1,508,511
2028	1,306,843
2029	1,236,884
Thereafter	10,967,448
Total	16,877,533
Imputed interest	(8,158,146)
Total liability	<u>\$ 8,719,387</u>

Note 11 – Debt Obligations**A. Decathlon Capital**

On August 31, 2021, Teal entered into an Amended and Restated Loan and Security Agreement with Decathlon Alpha IV, L.P. (“DA4”) in the amount of \$ 1,670,294 (the “Loan”), representing the outstanding principal amount previously due and owing by Teal to DA4. Interest on the Loan accrued at a rate of ten (10%) percent per annum. Principal and interest were payable in monthly installments of \$49,275. The balance was paid off in September 2024.

B. Pelion Note

In May 2021, Teal entered into a note agreement totaling \$350,000 which is payable upon demand. The Note bears interest at the applicable Federal Rate as of the date of the Note which was 0.13% on the date of issuance. The balance outstanding at September 30, 2025 and December 31, 2024 was \$350,000, respectively. Accrued interest at September 30, 2025 and December 31, 2024 totaled \$1,980 and \$1,639, respectively.

C. Corporate Equity

Beginning in October 2021, and amended in January 2022, Teal financed a total of \$120,000 of leasehold improvements with Corporate Equity, LLC. The loan bore interest at 8.25% annually and required monthly payments of \$3,595. The balance was paid off in December 2024.

D. Ascentium Capital

In September 2021, Teal entered into a financing agreement with Ascentium Capital to fund the purchase of a fixed asset totaling \$24,383 with monthly payments of \$656. The balance was paid off in October 2024.

E. Summary

Future annual principal payments at September 30, 2025 are as follows:

Fiscal Year Ended:

2025	\$	350,000
Thereafter		—
Total	\$	350,000

Note 12 – Convertible Notes Payable**A. September 2024 Securities Purchase Agreement**

In September 2024, the Company entered into a Securities Purchase Agreement (the “September 2024 SPA”) with Lind Global Asset Management X LLC (“Lind X”). Under the September 2024 SPA, the Company received approximately \$8,000,000 in funding from Lind X in exchange for a Senior Secured Convertible Promissory Note in the amount of \$9,600,000 (the “September 2024 Note”) and a Common Stock Purchase Warrant for the purchase of 750,000 shares of our common stock at a price of \$6.50 per share, exercisable for five years (the “September 2024 Warrant”). The September 2024 Note was secured by substantially all assets of the Company. As additional consideration to Lind X, the Company paid a commitment fee in the amount of \$280,000. The September 2024 Note, which did not accrue interest, would have been repaid in eighteen consecutive monthly installments in the amount of \$533,334 beginning six months from the issuance date. At the Company’s option, monthly payments could have been increased up to \$1,000,000 so long as the Company’s market capitalization was at least \$50 million. In addition, if the Repayment Share Price (as defined below) was equal to or greater than \$2.00, Lind X could have at its option, increased the monthly payment amount up to \$1,300,000 for up to two months. The monthly payments due under the September 2024 Note could have been made by the issuance of common stock valued at the Repayment Share Price, cash in an amount equal to 1.025 times the required payment amount, or a combination thereof. The Repayment Share Price was defined in the September 2024 Note as ninety percent of the average of the five consecutive lowest daily VWAPs for our common stock during the twenty trading days prior to the payment date, subject to a floor price of \$0.75 per share. The fair value of the convertible note and related warrants were estimated using a Monte Carlo simulation model. No value was assigned to the warrant due to the fair

market value of the convertible note payable being in excess of the proceeds received. In December 2024, Lind X converted the entire 9,600,000 note payable into 1,476,923 shares of the Company's common stock at a conversion price of \$6.50 per share.

Amendment: In November 2024, the Company entered into a First Amendment (the "November 2024 SPA Amendment") to the September 2024 SPA with Lind X. The November 2024 SPA Amendment amends the terms of the September 2024 SPA with Lind X. Upon closing of the November 2024 SPA Amendment, the Company received approximately \$6,000,000 in funding from Lind X in exchange for issuance of a Senior Secured Convertible Promissory Note in the amount of \$2,200,000 (the "November 2024 Note") and a Common Stock Purchase Warrant for the purchase of 326,000 shares of Common Stock at a price of \$9.20 per share, exercisable for 5 years (the "November 2024 Warrant"). As additional consideration to Lind X, the Company paid a commitment fee in the amount of \$210,000. The November 2024 Note, which did not accrue interest, would have been repaid in eighteen consecutive monthly installments in the amount of \$400,000 beginning six months from the issuance date. At our option, monthly payments could have been increased up to \$750,000 so long as our market capitalization was at least \$50 million. In addition, if the Repayment Share Price was equal to or greater than \$2.00, Lind X could have at its option, increased the monthly payment amount up to \$75,000 for up to two months. The monthly payments due under the November 2024 Note could have been made by the issuance of common stock valued at the Repayment Share Price, cash in an amount equal to 1.025 times the required payment amount, or a combination thereof. The Repayment Share Price was defined in the November 2024 Note as ninety percent of the average of the five consecutive lowest daily VWAPs for our common stock during the twenty trading days prior to the payment date, subject to a floor price of \$0.75 per share. The fair value of the convertible note and related warrants were estimated using a Monte Carlo simulation model. No value was assigned to the warrant due to the fair market value of the convertible note payable being in excess of the proceeds received. In December 2024, Lind X converted the entire \$7,200,000 note payable into 782,607 shares of the Company's common stock at a conversion price of \$9.20 per share.

B. February 2025 Securities Purchase Agreement

In February 2025, the Company entered into another Securities Purchase Agreement (the "February 2025 SPA") with Lind Global Asset Management XI LLC ("Lind XI," and together with Lind X, "Lind"). Under the February 2025 SPA, the Company received approximately \$15,000,000 in funding from Lind XI in exchange for a Senior Convertible Promissory Note in the amount of \$16,500,000 (the "February 2025 Note") and a Common Stock Purchase Warrant for the purchase of 1,000,000 shares of our common stock at a price of \$15.00 per share, exercisable for five years (the "February 2025 Warrant"). The February 2025 Note is secured by substantially all assets of the Company. As additional consideration to Lind XI, the Company paid a commitment fee in the amount of \$525,000.

Terms: The February 2025 Note's terms include, (i) the balance of the February 2025 Note was due and payable on February 10, 2026; (ii) the amount due under the February 2025 Note was convertible by Lind XI from time to time at a price equal to the lower of "Conversion Price" of \$16.15 per share, or the "Repayment Share Price," which is defined as ninety percent (90%) of the average of the five (5) lowest daily VWAPs for the Company's common stock during the twenty (20) trading days prior to the conversion date, subject to a floor price; (iii) conversions under the February 2025 Note are limited to a maximum of \$1,650,000 in any calendar month, subject to increase upon our optional written consent; and (iv) upon receipt of a conversion notice under the February 2025 Note, the Company could, if the applicable Repayment Share Price is below the Conversion Price, elect to pay the conversion amount, plus a 2.5% premium, in cash and in lieu of issuing common stock. In the event the Company issues or sells additional shares of common stock at an effective price per share that is less than the conversion price of the February 2025 Note as amended, the conversion price upon each such issuance will be reduced to a price equal to the consideration per share paid for additional shares of common stock. Additionally, in the event the Company issues or sells additional shares of common stock at an effective price per share that is less than the exercise price of the February 2025 Warrant as amended, the exercise price upon each such issuance will be reduced to a price equal to the consideration per share paid for additional shares of common stock.

Amendment 1: In April 2025, the Company entered into a First Amendment (the "April 9, 2025 Amendment") to the terms of the February 2025 Note and February 2025 Warrant. The February 2025 Note and the February 2025 SPA contained certain covenants, including: (i) in the event of new issuances of the Company's common stock at a price less than the Conversion Price then in effect, the Conversion Price will be adjusted to the price paid for the newly issued shares of common stock (the "Price Reset Provision"); (ii) in the event the Company issues new securities in exchange for gross proceeds of greater than \$15 million, the Company is required to pay the lower of 20% of the proceeds of such offering, or 20% of the balance of the February 2025 Note, toward repayment of the February 2025 Note (the "Offering Proceeds Provision"); and (iii) in the event the Company undertakes a new offering of securities, Lind XI has the right to purchase up to 20% of the securities issued in the new offering (the "Participation Rights"). The Warrant contained provisions that

would adjust the exercise price of the Warrant in certain circumstances, including if the Company issued new securities at a price less than the then-current exercise price.

Under the April 9, 2025 Amendment, and in exchange for a waiver of Price Reset Provision and certain other covenants in connection with the proposed April Registered Direct Offering (as defined below), the terms of the February 2025 Note, Warrant and the SPA were amended. The balance of the February 2025 Note was increased to \$18,150,000. The Conversion Price of the February 2025 Note was lowered to \$9.52 per share. The exercise price for the Warrant was lowered to \$7.62 per share. The maturity date of the February 2025 Note was extended to May 10, 2026. Upon receipt of a conversion notice under the February 2025 Note, we could, if the applicable Repayment Share Price was below the Conversion Price, elect to pay up to 50% of the conversion amount, plus a 2.5% premium, in cash and in lieu of issuing common stock. The Price Reset Provision, the Offering Proceeds Provision, and the Participation Rights were waived for a limited time, until April 17, 2025. The Company accounted for this amendment as an extinguishment of debt and recorded a loss of \$4,623,335 during the nine months ended September 30, 2025.

Amendment 2: In April 2025, the Company entered into a (i) Second Amendment to the February 2025 Note and February 2025 Warrant; (ii) First Amendment to the November 2024 Warrant and (iii) First Amendment to the February 2025 SPA (collectively, the “Agreement”). Under the terms of the Agreement, the Company and Lind amended each of the February 2025 Note, the February 2025 Warrant and the November 2024 Warrant to include a cap on the amount of shares issuable upon conversion and/or exercise of each aforementioned security such that the shares issuable under each of them shall not exceed the maximum number of shares of the Company’s common stock which may be issued by the Company in the absence of shareholder approval as provided by Nasdaq Rule 5635(d). In addition, Section 5.13 of the February 2025 SPA was amended to extend the deadline to obtain Stockholder Approval (as defined in the February 2025 SPA) to June 30, 2025. In addition, certain stockholders of the Company entered into support agreements under which they agreed to vote in favor of the matter presented to the Company’s stockholders for the Stockholder Approval.

Drawdowns:

- On April 15, 2025, the Company redeemed \$1,650,000 of the February 2025 Note for a cash payment of \$1,691,250.
- On May 1, 2025, Lind converted \$1,650,000 of the February 2025 Note into 372,460 shares of the Company’s common stock at a conversion price of \$4.43 per share.
- On June 2, 2025, Lind converted \$1,650,000 of the February 2025 Note into 331,991 shares of the Company’s common stock at a conversion price of \$4.97 per share.
- On July 1, 2025, Lind converted \$1,650,000 of the February 2025 Note into 265,273 shares of the Company’s common stock at a conversion price of \$6.22 per share.
- On August 1, 2025, Lind converted \$1,650,000 of the February 2025 Note into 262,321 shares of the Company’s common stock at a conversion price of \$6.29 per share.
- On September 8, 2025, Lind converted \$1,650,000 of the February 2025 Note into 214,564 shares of the Company’s common stock at a conversion price of \$7.69 per share.

Each of the drawdowns listed above occurred at a variable conversion rate below the Conversion Price. Consequentially, the drawdown represented the exercise of a share settled redemption feature for accounting purposes. The Company applied extinguishment accounting which resulted in a \$2,448,328 gain on extinguishment of convertible notes payable for the three and nine months ended September 30, 2025.

Amendment 3: On June 17, 2025, the Company entered into a Third Amendment to Senior Secured Convertible Promissory Note and Warrant Issued February 10, 2025 with Lind XI and Second Amendment to Warrant Issued November 26, 2024 between the Company and Lind X (collectively, the “June 17, 2025 Amendment”). Under the terms of the June 17, 2025 Amendment, and in exchange for Lind waiving its right to purchase up to twenty percent of the securities issued in an equity financing, the Company and Lind amended the February 2025 Note, November 2024 Warrant, and the February 2025 Warrant to (1) exempt any adjustments from the offering contemplated at that time to the conversion price of the February 2025 Note and exercise price of the November 2024 Warrant and February 2025 Warrant; (2) remove the

Company's election to pay, in certain circumstances, up to fifty percent of the conversion amount under the February 2025 Note in cash; and (3) remove the Company's right to prepay the February 2025 Note.

The fair value of the convertible note and related warrants were estimated using a Monte Carlo simulation model. No value was assigned to the warrant due to the fair market value of the convertible note payable being in excess of the proceeds received. See Note 2 for further information. The Company's convertible notes payable balance at September 30, 2025 was \$13,351,000.

Note 13 – Common Stock

Our common stock has a par value of \$0.001 per share. We are authorized to issue 500,000,000 shares of common stock. Each share of common stock is entitled to one vote. A summary of shares of common stock issued by the Company since December 31, 2024 is as follows:

Description of Shares	Shares Issued
Shares outstanding as of December 31, 2024	85,215,136
Exercise of stock options	1,997,350
Exercise of warrants	559,580
Vesting of restricted stock to employees	30,000
Acquisition adjustment	(121,513)
Issuance of common stock through public offerings	29,141,438
Conversion of convertible notes into common stock	1,446,609
Retirement of common shares	(106,330)
Shares outstanding as of September 30, 2025	118,162,270

In February 2025, the Company retired 106,330 shares of common stock that were previously held in escrow for payment as consideration for the Teal acquisition. Subsequent to the acquisition's modification period and prior to the settlement of escrowed shares, the Company paid cash for certain seller responsible expenditures which were then settled through the refund of these escrowed shares. This was treated as an equity transaction and goodwill was not affected.

Public Offerings

In April 2025, the Company entered into a securities purchase agreement with certain institutional investors pursuant to which the Company agreed to issue and sell, in a registered direct offering (the "April Registered Direct Offering"), an aggregate of 4,724,412 shares of the Company's common stock, par value \$0.001 per share, at a price of \$6.35 per share. The gross proceeds to the Company from the April Registered Direct Offering were approximately \$30 million, before deducting the placement agents' fees and other offering expenses payable by the Company.

In June 2025, the Company entered into a securities purchase agreement with certain institutional investors pursuant to which the Company agreed to issue and sell, in a registered direct offering (the "June Registered Direct Offering"), an aggregate of 6,448,276 shares of the Company's common stock, par value \$0.001 per share, at a price of \$7.25 per share. The gross proceeds to the Company from the June Registered Direct Offering were approximately \$46.75 million, before deducting the placement agents' fees and other offering expenses payable by the Company.

In September 2025, the Company entered into an underwriting agreement with a certain institutional investor pursuant to which the Company agreed to issue and sell, in a registered direct offering (the "September Registered Direct Offering"), an aggregate of 15,625,000 shares of the Company's common stock, par value \$0.001 per share, at a price of \$9.60 per share. The Company also granted the underwriters a thirty day option to purchase up to an additional 2,343,750 shares of common stock at the public offering price, which the underwriters exercised in full at closing. The gross proceeds to the Company from the September Registered Direct Offering were approximately \$172.50 million, before deducting the underwriters' fees and other offering expenses payable by the Company.

Note 14 – Preferred Stock

Our preferred stock has a par value of \$0.001 per share. Series B Preferred Stock ("Series B Stock") is convertible into common stock at a ratio of 0.8334 shares of common stock for each share of Series B Stock held and votes together with

the common stock on an as-if-converted basis. Shares outstanding at September 30, 2025 totaled 4,676 which are convertible into 3,896 shares of common stock.

Note 15 – Warrants

In September 2024, the Company issued warrants to purchase 750,000 shares of common stock to Lind, as further described in Note 12. The warrants have a five-year term and an exercise price of \$6.50. No value was assigned to the warrants under the Monte Carlo simulation model due to the fair market value of the convertible note payable being in excess of the proceeds received.

In November 2024, the Company issued warrants to purchase 326,000 shares of common stock to Lind, as further described in Note 12. The warrants have a five-year term and an exercise price of \$9.20. No value was assigned to the warrants under the Monte Carlo simulation model due to the fair market value of the convertible note payable being in excess of the proceeds received.

In February 2025, the Company issued warrants to purchase 1,000,000 shares of common stock to Lind, as further described in Note 12. The warrants have a five-year term and an exercise price of \$15.00 which was amended to \$7.52 on the First Amendment to the agreement on April 9, 2025. No value was assigned to the warrants under the Monte Carlo simulation model due to the fair market value of the convertible note payable being in excess of the proceeds received.

The following table summarizes the changes in warrants outstanding since December 31, 2024.

	Number of Shares	Weighted-average Exercise Price per Share	Weighted-average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2024	914,056	\$ 4.76	2.40	\$ 7,397,542
Granted	1,000,000	7.62	4.37	—
Exercised	(600,223)	5.22	—	—
Outstanding at September 30, 2025	1,313,833	\$ 6.02	3.42	\$ 5,691,323

Note 16 – Share Based Awards

The 2019 Equity Incentive Plan (the “2019 Plan”) and the 2024 Omnibus Equity Incentive Plan (the “2024 Plan”) (collectively, the “Plans”) allow us to incentivize key employees, consultants, and directors with long term compensation awards such as stock options, restricted stock, and restricted stock units (collectively, the “Awards”). The number of shares issuable in connection with Awards under the 2019 Plan were not to exceed 11,750,000. However, no shares are issuable under the 2019 Plan after the 2024 Plan became effective on October 15, 2024. The number of shares issuable in connection with Awards under the 2024 Plan may not exceed 24,603,000 plus any underlying forfeited 2019 Plan awards.

A. Options

The range of assumptions used to calculate the fair value of options granted during the nine months ended September 30, 2025 was:

Exercise Price	\$6.73 – 9.74
Stock price on date of grant	6.73 – 9.74
Risk-free interest rate	3.86 – 4.44%
Dividend yield	—
Expected term (years)	5.00 – 6.00
Volatility	135.54 – 191.15%

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A summary of options activity under the Plan since December 31, 2024 was:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as of December 31, 2024	5,645,325	\$ 1.54	7.90	\$ 59,779,836
Granted	1,930,850	7.50		
Exercised	(2,532,848)	1.26		
Forfeited or expired	(255,963)	2.16		
Outstanding as of September 30, 2025	4,787,364	3.93	8.24	30,745,797
Exercisable as of September 30, 2025	1,117,144	\$ 1.62	5.80	\$ 9,756,919

The aggregate intrinsic value of outstanding options represents the excess of the stock price at the indicated date over the exercise price of each option. As of September 30, 2025, there was \$12,374,099 of unrecognized stock-based compensation expense related to unvested stock options which is expected to be recognized over the weighted average periods of 1.50 years.

B. Restricted Stock

A summary of restricted stock activity under the Plan since December 31, 2024 was:

	Shares	Weighted Average Grant-Date Fair Value Per Share
Unvested and outstanding as of December 31, 2024	1,544,027	\$ 3.84
Granted	817,242	7.03
Forfeited	(330,861)	1.06
Unvested and outstanding as of September 30, 2025	2,030,408	\$ 5.58

As of September 30, 2025, there was \$7,397,640 of unrecognized stock-based compensation expense related to unvested restricted stock units which is expected to be recognized over the weighted average periods of 1.49 years.

C. Stock Compensation

Stock compensation expense for the nine months ended September 30 by functional operating expense was:

	2025	2024
Research and development	\$ 747,363	\$ 338,752
Sales and marketing	2,036,318	311,164
General and administrative	4,471,739	2,391,303
Total	\$ 7,255,420	\$ 3,041,219

Stock compensation expense pertaining to options totaled \$3,926,868 for the nine months ended September 30, 2025. Stock compensation expense pertaining to restricted stock totaled \$3,328,552 for the nine months ended September 30, 2025. Stock compensation expense pertaining to options totaled \$2,739,388 for the nine months ended September 30, 2024. Stock compensation expense pertaining to restricted stock totaled \$301,831 for the three months ended September 30, 2024.

Note 17 - Related-Party Transactions

In February 2024, the Company sold Rotor Riot and Fat Shark to UMAC, as further described in Note 4 and Note 7. UMAC's Chief Executive Officer is a direct relative of a former member of the Company's management.

Note 18 – Commitments and Contingencies

Legal Proceedings

In the ordinary course of business, we may be involved, at times, in various legal proceedings involving a variety of matters. We do not believe there are any pending legal proceedings that will have a material adverse effect on our business, consolidated financial position, results of operations, or cash flows. However, the outcome of such legal matters is inherently unpredictable and subject to significant uncertainties. We have not recorded any litigation reserves as of September 30, 2025.

One pending legal matter is an action filed against Teal in a U.S. District Court in Delaware by Autonodyne, LLC. The complaint asserts claims for breach of contract which management denies. We are asserting vigorous defenses to the complaint. A motion for summary judgment was filed by Autonodyne, LLC that will be heard in Delaware Superior Court on December 11 2025. No discovery in this matter has occurred yet.

Note 19 – Subsequent Events

Subsequent events have been evaluated through the date of this filing and there are no subsequent events which require disclosure, except as follows:

On October 1, 2025, Lind converted \$1,650,000 of the February 2025 Note into 213,178 shares of the Company's common stock at a conversion price of \$7.74 per share.

On October 6, 2025, Lind exercised 100,000 of the November 2024 Warrants at a price of \$6.35 per share, resulting in proceeds of \$635,000. Also on October 6, 2025, Lind exercised 135,000 of the February 2025 Warrants at a price of \$7.62 per share, resulting in proceeds of \$1,028,700.

On October 9, 2025, Lind exercised 100,000 of the November 2024 Warrants at a price of \$6.35 per share, resulting in proceeds of \$635,000.

On October 15, 2025, Lind exercised 126,000 of the November 2024 Warrants at a price of \$6.35 per share, resulting in proceeds of \$800,100.

On October 22, 2025, the U.S. Army's SRR UAS Tranche 2 (T2) Program's Limited Rate Production (LRIP) contract, signed in July 2025, was expanded and is now valued at approximately \$35 million.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and the related notes appearing elsewhere in this Quarterly Report on Form 10-Q. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk Factors" included in our Transition Report on Form 10-KT for the Transition Period ended December 31, 2024 as may be amended, supplemented or superseded from time to time by other reports we file with the SEC. All amounts in this report are in U.S. dollars, unless otherwise noted.

Overview

We are a drone technology company integrating robotic hardware and software for military, government and commercial operations. We were originally incorporated under the laws of the State of Colorado in 1984 under the name "Oravest International, Inc." In November 2016, we changed our name to "TimefireVR, Inc." and re-incorporated in Nevada. In May 2019, we completed a share exchange agreement with Propware which resulted in the Propware shareholders acquiring an 83% ownership interest, and management control, of the Company. In connection with the share exchange agreement, we changed our name to "Red Cat Holdings, Inc.", and our operating focus to the drone industry.

Prior to the share exchange agreement, Propware was focused on the research and development of software solutions that could provide secure cloud-based analytics, storage and services for the drone industry. Following the share exchange agreement and name change, we have completed a series of acquisitions and financings which have broadened the scope of our activities in the drone industry.

Plan of Operations

Since April 2016, the Company's primary business has been to provide products, services, and solutions to the drone industry which it presently does through its wholly owned consolidated subsidiaries.

Discussion and Analysis of the Three Months Ended September 30, 2025 Compared to the Three Months Ended September 30, 2024

Revenues

Consolidated revenues totaled \$9,646,392 during the three months ended September 30, 2025 (or the "2025 period") compared to \$1,292,447 during the three months ended September 30, 2024 (or the "2024 period") representing an increase of \$8,353,945, or 646%. The increase related to higher product revenue as the Company started delivering drones to the US Army under the SRR program.

Gross Profit

Consolidated gross profit totaled \$637,502 during the 2025 period compared to a gross loss of \$391,963 during the 2024 period representing an increase of \$1,029,465. On a percentage basis, gross profit was 7% during the 2025 period compared to a gross loss of 30% during the 2024 period. The gross profit increase was primarily due to higher revenue and lower warranty expense for the Company's product mix in the 2025 period compared to the 2024 period.

Operating Expenses

Research and development expenses totaled \$5,968,131 during the 2025 period compared to \$1,879,486 during the 2024 period, representing an increase of \$4,088,645 or 218%. The increase was primarily due to an increase in professional fees for continued product development and higher payroll expenses due to higher headcount across all entities.

Sales and marketing costs totaled \$2,984,677 during the 2025 period compared to \$1,968,441 during the 2024 period, representing an increase of \$1,016,236 or 52%. The increase was driven by higher payroll and stock based compensation expenses due to an increased headcount.

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General and administrative expenses totaled \$9,215,783 during the 2025 period compared to \$4,108,844 during the 2024 period, representing an increase of \$5,106,939 or 124%. The increase was mainly due to payroll expenses and stock based compensation as a result of a higher headcount.

During the 2025 period, we incurred stock-based compensation costs of \$3,621,387 compared to \$1,277,177 in the 2024 period, resulting in an increase of \$2,344,210 or 184%.

Other Expense

Other income totaled \$2,209,203 during the 2025 period compared to other expense of \$3,991,934 during the 2024 period, representing a decrease of 6,201,137 or 155%. This decrease is primarily related to a loss of \$4,008,357 recognized in the 2024 period on the impairment of the investment in Unusual Machines, Inc. In the 2025 period, a gain of \$2,448,328 was recognized on extinguishment of convertible notes payable.

Net Loss from Continuing Operations

Net loss from continuing operations totaled \$16,016,448 for the 2025 period compared to \$12,433,718 for the 2024 period, resulting in an increase of \$3,582,730 or 29%.

Discussion and Analysis of the Nine Months Ended September 30, 2025 Compared to the Nine Months Ended September 30, 2024

Revenues

Consolidated revenues totaled \$14,494,631 during the nine months ended September 30, 2025 (or the “2025 period”) compared to \$14,326,145 during the nine months ended September 30, 2024 (or the “2024 period”) representing an increase of \$168,486, or 1%. The increase related to higher product revenue as the Company started delivering drones to the US Army under the SRR program.

Gross Profit

Consolidated gross profit totaled \$162,146 during the 2025 period compared to a gross profit of \$997,045 during the 2024 period representing a decrease of \$834,899, or 84%. On a percentage basis, gross profit was 1% during the 2025 period compared to a gross profit of 7% during the 2024 period. The gross loss in the 2025 period was due to inventory write-offs occurring as we transition sales and production from the Teal 2 to the Black Widow.

Operating Expenses

Research and development expenses totaled \$12,998,991 during the 2025 period compared to \$4,838,004 during the 2024 period, representing an increase of \$8,160,987, or 169%. The increase was primarily due to an increase in professional fees for continued product development and higher payroll expenses due to higher headcount across all entities.

Sales and marketing costs totaled \$9,487,010 during the 2025 period compared to \$5,582,469 during the 2024 period, representing an increase of \$3,904,541 or 70%. The increase was driven by higher payroll and stock based compensation expenses due to an increased headcount.

General and administrative expenses totaled \$20,331,980 during the 2025 period compared to \$9,931,624 during the 2024 period, representing an increase of \$10,400,356 or 105%. The increase was mainly due to payroll expenses and stock based compensation as a result of a higher headcount across all entities.

During the 2025 period, we incurred stock-based compensation costs of \$7,255,420 compared to \$3,041,219 in the 2024 period, resulting in an increase of \$4,214,201 or 139%.

Other Expense

Other expense totaled \$9,068,362 during the 2025 period compared to other expense of \$6,140,259 during the 2024 period, representing an increase of \$2,928,103 or 48%. This increase is primarily related to a fair value adjustment loss of

\$12,939,387 recognized in the 2025 period on the February 2025 Note to Lind, based on its fair value, offset by a gain on extinguishment of convertible notes payable of \$2,448,328.

Net Loss from Continuing Operations

Net loss from continuing operations totaled \$52,418,759 for the 2025 period compared to \$26,001,360 for the 2024 period, resulting in an increase of \$26,417,399 or 102%.

Cash Flows

Operating Activities

Net cash used in operating activities was \$52,656,680 during the nine months ended September 30, 2025 (or the “2025 period”) compared to net cash used in operating activities of \$14,692,766 during the nine months ended September 30, 2024 (or the “2024 period”), representing an increase of \$37,963,914 or 258%. The increased use of cash primarily related to lower gross profit and higher cash based operating expenses compared to the 2024 period. Net cash used in operations, net of non-cash expenses, totaled \$20,094,751 during the 2025 period, compared to \$11,135,324 during the 2024 period, resulting in an increase of \$8,959,427, or 80%. Net cash used related to changes in operating assets and liabilities totaled \$20,332,672 during the 2025 period, compared to net cash provided of \$173,270 during the 2024 period, representing an increase of \$20,505,942. Changes in operating assets and liabilities can fluctuate significantly from period to period depending upon the timing and level of multiple factors, including inventory purchases, vendor payments, and customer collections.

Investing Activities

Net cash used by investing activities was \$1,249,217 during the 2025 period compared to net cash provided by investing activities of \$5,250,314 during the 2024 period, resulting in a decrease of \$6,499,531. During the 2025 period, proceeds from the divestiture of the consumer segment was \$0 compared to \$1,000,000 during the 2024 period and proceeds from the sale of equity method investment was \$0 compared to \$4,400,000 during the 2024 period.

Financing Activities

Net cash provided by financing activities totaled \$251,177,596 during the 2025 period compared to net cash used in financing activities of \$588,003 during the 2024 period. The increase relates to the proceeds from the issuance of common stock and convertible notes payable during the 2025 period.

Liquidity and Capital Resources

At September 30, 2025, we reported current assets totaling \$248,802,498, current liabilities totaling \$23,886,568 and net working capital of \$224,915,930. Cash totaled \$206,425,996 at September 30, 2025. Inventory related balances, including prepaid inventory, totaled \$30,595,667.

Critical Accounting Policies and Estimates

Our financial statements and accompanying notes have been prepared in accordance with GAAP applied on a consistent basis. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

We regularly evaluate the accounting policies and estimates that we use to prepare our financial statements. A complete summary of these policies is included in the notes to our financial statements. In general, management’s estimates are based on historical experience, information from third party professionals, and on various other assumptions that are believed to be reasonable under the facts and circumstances. Actual results could differ from those estimates made by management.

Significant estimates reflected in these financial statements include those used to (i) complete purchase price accounting for acquisitions, (ii) evaluate long-term assets, including goodwill, for impairment, (iii) evaluate inventory reserves for excess and obsolescence and (iv) determine valuations of convertible notes payable and warrants.

Purchase Price Accounting – We record our acquisitions under the acquisition method of accounting, under which most of the assets acquired and liabilities assumed are initially recorded at their respective fair values and any excess purchase price is reflected as goodwill. We utilize management estimates and, in some instances, independent third-party valuation firms to assist in determining the fair values of assets acquired, liabilities assumed and contingent consideration, if any. Such estimates and valuations require us to make significant assumptions, including projections of future events and operating performance.

The fair value of brand name, backlog, customer relationships and proprietary technology acquired in our acquisitions are determined using various valuation methods, based on a number of significant assumptions. We determine which assets have finite lives and then determine the estimated useful life of finite assets. The carrying value of brand name is not being amortized but is reviewed quarterly and formally evaluated at year end for impairment. Backlog, customer relationships and proprietary technology are being amortized over seven years.

The estimated fair values are subject to change during the measurement period, which is limited to one year subsequent to the acquisition date.

Goodwill and Long-lived Assets – Goodwill represents the future economic benefit arising from other assets acquired in an acquisition that are not individually identified and separately recognized. We test goodwill for impairment in accordance with the provisions of *ASC 350, Intangibles – Goodwill and Other*, (“ASC 350”). Goodwill is tested for impairment at least annually at the reporting unit level or whenever events or changes in circumstances indicate that goodwill might be impaired. ASC 350 provides that an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then additional impairment testing is not required. However, if an entity concludes otherwise, then it is required to perform an impairment test. The impairment test involves comparing the estimated fair value of a reporting unit with its book value, including goodwill. If the estimated fair value exceeds book value, goodwill is considered not to be impaired. If, however, the fair value of the reporting unit is less than book value, then an impairment loss is recognized in an amount equal to the amount that the book value of the reporting unit exceeds its fair value, not to exceed the total amount of goodwill allocated to the reporting unit.

The estimate of fair value of a reporting unit is computed using either an income approach, a market approach, or a combination of both. Under the income approach, we utilize the discounted cash flow method to estimate the fair value of a reporting unit. Significant assumptions inherent in estimating the fair values include the estimated future cash flows, growth assumptions for future revenues (including gross profit, operating expenses, and capital expenditures), and a rate used to discount estimated future cash flow projections to their present value based on estimated weighted average cost of capital (i.e., the selected discount rate). Our assumptions are based on historical data, supplemented by current and anticipated market conditions, estimated growth rates, and management’s plans. Under the market approach, fair value is derived from metrics of publicly traded companies or historically completed transactions of comparable businesses. The selection of comparable businesses is based on the markets in which the reporting units operate and consider risk profiles, size, geography, and diversity of products and services.

Inventories – We measure inventory at the lower of cost or net realizable value considering judgments and estimates related to future customer demand and other market conditions. Although we believe these estimates are reasonable, any significant changes in customer demand that are less favorable than our previous estimates may require additional inventory write-downs and would be reflected in cost of sales resulting in a negative impact to our gross margin in that period.

Convertible Notes Payable – We measure convertible notes payable at fair value based on significant inputs not observable in the market, which causes them to be classified as Level 3 measurements within the fair value hierarchy. Changes in the fair value of the convertible notes payable relate to updated assumptions and estimates are recognized as a convertible notes payable fair value adjustment within the consolidated statements of operations and comprehensive loss.

In determining the fair value of the convertible notes payable, we use a market-based approach. The valuation method utilizes a negotiated discount rate and a market yield rate which are unobservable inputs.

An increase or decrease in any of the unobservable inputs in isolation could result in a material increase or decrease in the estimated fair value. In the future, depending on the weight of evidence and valuation approaches used, these or other inputs may have a more significant impact on the estimated fair value.

Warrants – The fair value of the warrants issued is estimated using a Monte Carlo simulation model. The significant unobservable inputs for the Monte Carlo model include the stock price, exercise price, risk-free rate of return, time to expiration, and the volatility. An increase or decrease in the unobservable inputs in isolation could result in a material increase or decrease in the estimated fair value. In the future, depending on the weight of evidence and valuation approaches used, these or other inputs may have a more significant impact on the estimated fair value.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are not required to provide the information required by this Item as we are a “smaller reporting company,” as defined in Rule 12b-2 of the Exchange Act.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our principal executive officer and principal financial officer evaluated the effectiveness of our “disclosure controls and procedures” as of September 30, 2025, the end of the period covered by this Quarterly Report on Form 10-Q. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is accumulated and communicated to a company’s management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. Based on the evaluation of our disclosure controls and procedures as of September 30, 2025, our Chief Executive Officer and our Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were not effective, specifically pertaining to the disclosed and restated financials noted in our report on internal control over financial reporting below. However, the Company continues to address ways to become more effective in managing internal financial reporting controls. This includes increasing headcount to strengthen segregation of duties and implementing better tracking and management protocols.

Management’s quarterly report on internal control over financial reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is designed to provide reasonable assurances regarding the reliability of financial reporting and the preparation of our consolidated financial statements in accordance with GAAP. Our accounting policies and internal controls over financial reporting, established and maintained by management, are under the general oversight of the Board’s audit committee.

Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree or compliance with the policies or procedures may deteriorate.

Management assessed our internal control over financial reporting as of September 30, 2025. The standard measures adopted by management in making its evaluation are the measures in the Internal-Control Integrated Framework published by the Committee of Sponsoring Organizations (“COSO”) of the Treadway Commission.

Based on management's assessment using the COSO criteria, our CEO and CFO concluded that our internal control over financial reporting was not effective as of September 30, 2025, which was identified during the year ended April 30, 2023 and continues through September 30, 2025. Our size has prevented us from being able to employ sufficient resources to enable us to have an adequate level of supervision and segregation of duties. Therefore, management concluded that we did not have a comprehensive and formalized accounting and financial reporting policies and procedures manual which details the information needed for our financial reporting process and that we did not have a robust review process by which management could monitor for potential errors or technical accounting requirements, which have resulted in material weaknesses in internal control over financial reporting as of September 30, 2025. Management is reviewing internal control procedures and will work to implement enhanced procedures to address the identified material weakness.

Changes In Controls Over Financial Reporting

We are in the process of implementing controls to identify, assess and review the accounting and reporting of non-recurring and complex transactions. As the implementation of these controls occurs, certain changes will be made to our processes and procedures which, in turn, result in changes to our internal control over financial reporting. Management will continue to evaluate and monitor our internal controls as processes and procedures in each of the affected areas evolve. Except for the changes in connection with this implementation of controls around non-recurring and complex transactions, there have been no other changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the quarter ended September 30, 2025, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we are involved in various legal proceedings, lawsuits and claims incidental to the conduct of our business, some of which may be material. We do not believe that the outcome of any of our current legal proceedings will have a material adverse impact on our business, financial condition and results of operations.

ITEM 1A. RISK FACTORS

Risk factors that affect our business and financial results are discussed in Part I, Item 1A “Risk Factors,” in our Transition Report on Form 10-KT for the transition period ended December 31, 2024, as filed with the SEC on March 31, 2025 (“Transition Report”), as supplemented by our Quarterly Reports on Form 10-Q. There have been no material changes in our risk factors from those previously disclosed in our Transition Report. You should carefully consider the risks described in such reports which could materially affect our business, financial condition or future results. The risks described in such reports are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, and/or operating results. If any of the risks actually occur, our business, financial condition, and/or results of operations could be negatively affected.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On July 1, 2025, Lind converted \$1,650,000 of the February 2025 Note into 265,273 shares of the Company’s common stock at a conversion price of \$6.22 per share.

On August 1, 2025, Lind converted \$1,650,000 of the February 2025 Note into 262,321 shares of the Company’s common stock at a conversion price of \$6.29 per share.

On September 8, 2025, Lind converted \$1,650,000 of the February 2025 Note into 214,564 shares of the Company's common stock at a conversion price of \$7.69 per share.

The issuances of the shares to Lind, as described above, were made pursuant to the exemption provided by Rule 506(b) under Regulation D of the Securities Act. Lind is an “accredited investor” as defined in Rule 501(a) under Regulation D, and we did not engage in any general solicitation or advertising in connection with the transaction.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

ITEM 5. OTHER INFORMATION

Rule 10b5-1 Trading Plans

During the three months ended September 30, 2025, none of our directors or officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any “non-Rule 10b5-1 trading arrangement.”

ITEM 6. EXHIBITS

Exhibit No.	Description
10.1	Underwriting Agreement dated September 17, 2025 between Northland Securities, Inc. and Red Cat Holdings, Inc. (incorporated by reference to Exhibit 1.1 to the Current Report on Form 8-K filed on September 19, 2025)
10.2*	Industrial Lease Renewal Agreement (Addendum 2), dated July 7, 2025
10.3*	Sublease Agreement, dated August 1, 2025
10.4*	Lease Agreement, dated August 14, 2025
23.1	Consent of dbbmckennon, Independent Registered Public Accounting Firm (incorporated by reference to Exhibit 23.1 to the Registration Statement on Form S-3 filed on September 15, 2025)
23.2	Consent of Sheppard Mullin Richter & Hampton, LLP (incorporated by reference to Exhibit 23.2 and Exhibit 5.1 to the Registration Statement on Form S-3 filed on September 15, 2025)
31.1*	Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial and Accounting Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

**Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RED CAT HOLDINGS, INC.

Date: November 13, 2025

By: /s/ Jeffrey Thompson
Jeffrey Thompson
Chief Executive Officer
(Principal Executive Officer)

Date: November 13, 2025

By: /s/ Christian Ericson
Christian Ericson
Chief Financial Officer
(Principal Financial and Accounting Officer)

INDUSTRIAL LEASE RENEWAL AGREEMENT (ADDENDUM 2)

THIS ADDENDUM to the original lease agreement is made and entered this date July 7, 2025, by and between **CORPORATE EQUITY, LLC** (hereinafter "Landlord") and **RED CAT HOLDINGS, INC (TEAL DRONES, INC)**. (Hereinafter "Tenant").

The aforementioned lease agreement is hereby amended as follows:

1) PREMISES – Suite #2, #3, #4 and the office space of Suite #5

- a) Description. Landlord hereby leases to Tenant and Tenant hereby rents from Landlord the space known as Suite(s) #2, #3, #4 and the office space of Suite #5 all located in the same complex in the City of South Salt Lake, County of Salt Lake, Utah, within the complex commonly known as the BlockYard. The improved flex space totaling 33,006 square feet with an additional 4,302 square feet of furnished office space located at 2800 South West Temple, Salt Lake City, Utah 84115. The Premises includes the underlying realty and the improvements or so much thereof as Tenant is entitled to occupy or use under this Lease.

2) TERM – Term shall be 36 months commencing July 1, 2025, and ending June 30, 2028 unless terminated sooner pursuant to the lease.

3) RENT – The "Base Rent", "Tenants Proportionate Share of Basic Costs" and "Yearly Rate Increases" shall be at the same rate and terms per square foot as outlined in the original lease.

a) Rent:

- (i) The "Base Rent" per square foot for suites 2, 3 & 4 flex space (33,006 sqft) is \$1.13 with suite 5 furnished office space (4302 sqft) at the rate of \$2.15 per square foot, with an annual escalation rate of 2% as outlined in the original lease. "Tenants Proportionate Share of Basic Costs" shall remain under the same price per square foot as outlined in the original lease agreement.
- (ii) Landlord hereby agrees to abate the base rent and proportion of shared expenses for Suite 4 & 5 for the month of July and August 2025.

4) SECURITY DEPOSIT:

- a) **Security Deposit.** The original \$22,000 security deposit for Suite 2 & 3 shall be retained by the Landlord and remain in effect with an additional deposit equal to the first month's rent for Suite 4 & 5 (\$21,680.00) due upon execution of this Extension Addendum for the full and faithful performance by the Tenant of all the terms of this lease required to be performed by the Tenant.

5) Financing. The Tenant will provide the financing for the improvements being made to Suite 4 and Suite 5.

6) Occupancy

- a) Tenant may occupy Suite 4 & 5 upon receipt of the security deposit and upon the clearing of all material and equipment currently being stored in the space.

Landlord: Tenant:
Corporate Equity, LLC Teal Drones, Inc

By: /s/ Chad Riches 7/9/2025 By: /s/ Chris Ericson 7/8/2025
Chad Riches, Member Manager Chris Ericson, CFO Red Cat Holding

NORTH CAROLINA SUBLEASE AGREEMENT

1. **THE PARTIES.** This Lease Agreement (the “Agreement”) made this 08/01/2025 is between:

Sublessor Name: Daniel Morgan (the “Sublessor”), AND

Sublessee Name: Jason Gunter (Red Cat Holdings, Inc) (the “Sublessee”).

The Sublessor and Sublessee are together referred to as the “Parties.”

The Parties agree that the Sublessor shall sublet and the Sublessee shall take possession of the property located at 3210 Ray Rd, Spring Lake NC 28390 (the “2nd Level of Premises”) on the following terms:

2. **TERM.** The term of this Sublease shall commence on **August 1, 2025**, and shall terminate **on August 1, 2026**, unless otherwise terminated in accordance with the terms herein. Thereafter, the lease shall continue on a month-to-month basis until terminated by either party with 30 days’ written notice.
3. **RENT.** The rent to be paid by the Sublessee to the Sublessor throughout the term of this Agreement must be paid on the 1st day of every ☐ Week ☒ Month (check one). The rent is to be paid in installments of \$3000.00. The rent shall be paid in the following manner: Check/Credit Card/ACH Deposit.
4. **SECURITY DEPOSIT.** The Sublessee will pay \$0 to the Sublessor as a security deposit. Deductions permitted by North Carolina law may be made from the security deposit and the remainder, if any, shall be returned to the Sublessee within [#] days of the termination of the Agreement.
5. **MOVE-IN CHECKLIST.** At the time of taking possession of the Premises by the Sublessee, the Sublessor and Sublessee: (check one)
- ☐ - WILL be required to complete a move-in checklist that provides a detailed account of the condition of the Premises including, but not limited to, repairs needed, water damage, or material defects.
- ☒ - Will NOT be required to complete a move-in checklist that provides a detailed accounting of the condition of the Premises, unless otherwise required by law.
6. **PARKING.** The Sublessee: (check one)
- ☒ - Is entitled to 6 parking space(s). The parking space(s) is / are located at: 3210 Ray Rd Spring Lake NC.
- ☐ - Is NOT entitled to use a parking space as part of this Agreement.
7. **UTILITIES.** The Sublessee is responsible for the following utilities: (check all that apply)
- ☐ - Electricity

- ☐ - Water
- ☐ - Trash Collection
- ☐ - Cable / Internet
- ☐ - Heat
- ☐ - Other: [OTHER UTILITY (IF ANY)].

8. SMOKING. The Sublessee: (check one)

- ☐ - Is permitted to smoke in the following area(s) ONLY: [PERMITTED AREA(S)].
- ☒ - Is NOT permitted to smoke on the Premises or in any common / shared areas.

9. GUESTS. The Sublessee is allowed business visitors once proper security / compliance verification has been made. Red Cat Holdings occupies a building space with an active facility clearance and proper arrangements must be made with C3A in the event uncleared personnel may be in the building.

10. TERMINATION OF MASTER LEASE. If the Sublessor terminates their tenancy in the Premises under the Master Lease, the Sublessee agrees that if the Master Lease is terminated for any reason, this Agreement will terminate as of the same date.

11. SUBLEASING AND ASSIGNMENT. The Sublessee may not lease, sublease, or assign the Premises without the prior written consent of the Sublessor.

12. DISPUTES. If a dispute arises during or after the term of this Agreement between the Parties, they shall agree to negotiate amongst themselves before any litigation.

13. LIABILITY. The Sublessee agrees to surrender and deliver to the Sublessor the Premises, including all furniture and decorations within the Premises, in the same condition as they were at the beginning of the term, with reasonable wear and tear accepted. The Sublessee will be liable to the Sublessor for any damage to the Premises, the contents thereof, and the living areas, including any common spaces. All actions conducted by any guests of the Sublessee are the responsibility and liability of the Sublessee.

14. ORIGINAL COPIES. The Parties to this Agreement acknowledge the receipt of an executed copy thereof.

15. WRITTEN AGREEMENT. This Agreement constitutes the sole agreement between the Parties with no additions, deletions, or modifications that may be accomplished without the written consent of both Parties. Any oral representations made at the time of executing this Agreement are not legally valid and, therefore, are not binding upon either party.

16. GOVERNING LAW. This Agreement shall be governed by the laws in the state of North Carolina.

17. ADDITIONAL TERMS & CONDITIONS.

Red Cat Holdings, Inc. agrees to:

- Assist in maintaining the cleanliness of the surrounding leased area.
- Share responsibility for maintaining and replenishing common area supplies and shared facilities.
- Participate in general upkeep and organization of all common areas within the Premises.

18. ENTIRE AGREEMENT. This Agreement contains the entire agreement of all parties on these matters, superseding any previous agreement between them.

19. SIGNATURES.

IN WITNESS WHEREOF, the Sublessor and Sublessee agree to the terms and have executed and dated this Agreement below.

Sublessor Signature: /s/Daniel Morgan Date: 08/01/2025

Printed Name: Daniel Morgan

Sublessee Signature: /s/Jason Gunter Date: 08/01/2025

Printed Name: Jason Gunter

LEASE AGREEMENT

BY THIS LEASE AGREEMENT ("Lease") dated August 14th, 2025, **RMI VALDOSTA LLC** a Georgia limited liability company ("Landlord"), and **Blue Ops, Inc.**, a Nevada corporation ("Tenant"), in consideration of the following mutual covenants, have agreed:

1. DEMISE. Landlord does lease to Tenant, and Tenant does lease from Landlord, the real property located at 601 Gil Harbin Industrial Boulevard, in the City of Valdosta, County of Lowndes, State of Georgia, consisting of approximately 8.0 acres (the "Premises", as more particularly described on the attached "**Exhibit A**"), together with all buildings, structures, fixtures and improvements located thereon, including without limitation an approximately 155,360 square-foot building.

2. USE.

a. The Premises shall be used and occupied for manufacturing (including, without limitation, watercraft production), and for related general office purposes (the "Intended Use"). Tenant's Intended Use shall comply with all zoning and governmental laws and regulations. Landlord, by execution of this Lease or otherwise, makes no representation that the Intended Use complies with governmental regulations. Tenant will seek to obtain all necessary occupancy permits and licenses (the "Permits") in order to operate Tenant's business at the Premises for the Intended Use. Landlord will reasonably cooperate with Tenant and at no cost to Landlord to the extent necessary for Tenant to obtain the permits or to transfer existing permits to Tenant.

b. Tenant has inspected the Premises and accepts the Premises in "as is" condition subject to the provisions of this Lease. Any and all alterations and improvements shall be performed at Tenant's sole cost and expense and in compliance with the requirements of Section 24 of this Lease.

c. "Equipment" shall mean the equipment in the Premises on September 1st, 2025. Landlord shall own the Equipment free and clear of all liens and encumbrances through the Term and Tenant shall have the right to use the Equipment through the Term. Unless agreed to in **Exhibit B** between Landlord and Tenant, Tenant shall have no obligation to maintain, repair or replace the Equipment, and may, from time to time, discard Equipment from time to time that is at the end of its useful life; provided that Tenant shall give Landlord notice of its intent to discard any Equipment and Landlord shall have the option to take possession of any such Equipment that Tenant intends to discard.

d. Notwithstanding anything in this Lease to the contrary, Landlord shall complete the clean-up of the Premises that the parties agreed upon prior to September 1, 2025.

e. Notwithstanding anything in this Lease to the contrary, Landlord shall complete the inspections, tests, servicing, repairs and other work set forth on **Exhibit B** on or before November 15, 2025.

3. TERM; LEASE COMMENCEMENT; RENT COMMENCEMENT.

a. Lease Commencement and Rent Commencement Date. The lease terms will commence on September 1, 2025. The Rent Commencement Date shall be December 1, 2025. Commencing on September 1, 2025 and for the remaining portion of the Lease Term, Tenant shall be fully responsible for all obligations of the Tenant under this Lease including, without limitation, the obligation to pay Rent. Tenant shall have reasonable access prior to September 1st

for purposes of planning leasehold improvements that Tenant may desire, provided that such access shall be: i) upon at least 24 hours' advance notice to Landlord and at Landlord's reasonable convenience; ii) shall be during normal business hours; and iii) shall occur no more frequently than two times per week.

b. Lease Term. "Lease Term" means the initial term of five (5) lease years commencing on the Rent Commencement Date, plus any Renewal Term. This Lease shall expire on the last day of the Lease Term, unless sooner terminated as hereinafter provided.

c. Renewal Terms. Tenant shall have the option (each such option, a "Renewal Option") to extend the Lease Term by the first of, or both of, the Renewal Terms. "Renewal Terms" means the two (2) renewal terms of five (5) years each immediately following the Initial Expiration Date. The first such Renewal Term, if exercised, shall commence upon the expiration of the Lease Term. Each subsequent Renewal Term, if exercised, shall commence upon the expiration of the preceding Renewal Term. Tenant shall have the options to renew this Lease, provided that:

1. Notice Requirement. Tenant must deliver written notice of its intent to exercise the option no earlier than twelve (12) months and no later than nine (9) months prior to the expiration of the Lease Term. Time is of the essence with respect to this notice period.
2. Condition to Exercise. The Renewal Option may not be exercised, and if previously exercised shall be deemed null and void, if at the time of exercise or the commencement of the Renewal Term:
 - A. Tenant is in default under any terms of this Lease beyond the expiration of all applicable notice and cure periods; or
 - B. Tenant has been more than 10 days late in rent payment on more than two (2) occasions during the 12 months prior to notice of renewal.
3. Rent During Renewal Term. The Base Rent during the Renewal Term shall be the then-current fair market rent ("Market Rent") for comparable commercial space in similar buildings in the vicinity, taking into account all relevant factors including use, location, size, condition, amenities, lease term, and creditworthiness of the tenant. Notwithstanding the foregoing:
 - A. Minimum Rent Floor: In no event shall the Base Rent for the Renewal Term be less than the Base Rent in effect during the final year of the initial Lease Term.
 - B. No Rent Concessions: Market Rent shall be determined exclusive of any concessions, tenant improvement allowances, or abatements.
4. Market Rent Determination. If Landlord and Tenant cannot agree on the Market Rent within thirty (30) days after Tenant's exercise of the Renewal Option, then:
 - A. Landlord and Tenant shall each appoint a qualified commercial real estate broker with at least five (5) years of experience in

the local market within fifteen (15) days after the end of such thirty (30) day period;

B. The two brokers shall mutually select a third broker (the "Neutral Broker" within ten (10) days after the end of such fifteen (15) day period (failing which, either Landlord or Tenant may cause the American Arbitration Association to appoint the Neutral Broker);

C. Each party shall submit a proposed Market Rent to the Neutral Broker within ten (10) days after appointment of the Neutral Broker;

D. The Neutral Broker, within ten (10) days of appointment, shall select the proposal that most closely reflects Market Rent, and that amount shall be binding on the parties as the Fixed Rent for the Renewal Term;

E. Each party shall bear the cost of their appointed broker and share equally the cost of the Neutral Broker.

F. All relevant factors will be taken into consideration when determining the fair market value on any renewal options.

5. Other Terms. All other terms and conditions of the Lease shall remain unchanged and in full force during the Renewal Term, except for adjustments to rent, operating expenses, and any provisions specifically applicable to the initial Term only.

In interpreting the Lease Agreement during any Renewal Term as to which the Tenant shall have properly exercised its renewal option, those provisions of the Lease Agreement which make reference to the Lease Term shall be interpreted, where the context shall so permit, to mean and include the Renewal Term. During each Renewal Term the rights of Landlord and Tenant shall be governed by the terms and conditions of this Lease Agreement.

4. RENT.

- a. Monthly Rent Due. Tenant shall pay Landlord the following amounts as the monthly fixed rent ("Rent") for the Premises:

Period	Monthly Rent
Abated months - 9/1/2025-11/30/2025	OpEx
Year 1 - 12/1/2025-11/30/2026	\$48,550.00 + OpEx
Year 2 - 12/1/2026-11/30/2027	\$50,006.50 + OpEx
Year 3 - 12/1/2027-11/30/2028	\$51,506.70 + OpEx
Year 4 - 12/1/2028-11/30/2029	\$53,051.90 + OpEx
Year 5 - 12/1/2029-11/30/2030	\$54,643.45 + OpEx

“OpEx” shall mean the expenses referred to in clause (b) of Section 4(b) below.

During the Lease Year of any Renewal Term, the monthly Rent due shall increase from and after the first anniversary of the first day of each Renewal Term at 3% annual lease rate escalations over the monthly Rent due during the prior Lease Year. At least 30 days prior to the commencement of a Lease Year during a Renewal Term, Landlord shall give notice to Tenant of the adjusted amount of the monthly Rent due for that Lease Year.

b. Triple Net Lease. It is the purpose and intent of Landlord and Tenant that, subject to the terms of this Lease, this Lease be a so-called “triple net lease.” As such, Landlord and Tenant intend and agree that (subject to the terms of this Lease): (a) the Rent shall be absolutely net to Landlord, so that this Lease shall yield, net to Landlord the Rent and all sums of Additional Rent specified in this Lease; (b) all costs, operating expenses, real estate taxes, insurance premiums, fees, interest, charges, expenses, reimbursements and obligations of every kind and nature whatsoever relating to the Premises, excepting only certain net income taxes of Landlord and any other items specifically excepted herein which may arise or become due during or out of the Lease Term, shall be paid or discharged by Tenant, provided that, notwithstanding anything to the contrary, “OpEx” shall exclude all costs and expenses arising from capital expenditures (such as, but not limited to, capital expenditures described in Section 8(a)); (c) each and every Tenant obligation expressly provided in this Lease that may arise or be related to the Premises shall be performed by Tenant at its sole cost and expense; and (d) that Landlord shall be indemnified and held harmless by Tenant for, from and against such costs, operating expenses, taxes, premiums, fees, interest, charges, expenses, reimbursements and obligations of Tenant, Tenant expressly covenanting to pay and perform all of the foregoing. Notwithstanding the foregoing, Landlord acknowledges that Landlord has certain maintenance and other obligations under this Lease as set forth in Section 8 and elsewhere in this Lease, which obligations will be borne at the sole expense of Landlord. All obligations required to be paid by Tenant to third parties (including insurance premiums, but excluding real estate taxes) pursuant to this paragraph shall be paid by Tenant directly to the applicable third party. Any OpEx incurred by the Landlord will be included in the monthly OpEx summary and required to be paid monthly by the Tenant. Landlord shall provide annual OpEx reconciliation with over/under payments settled within 30 days.

c. Payment. Rent will be payable in consecutive monthly installments, in advance, without demand, on the first day of each and every month during the Term of this Lease from and after the Rent Commencement Date. Tenant shall pay Rent without deduction, diminution or set-off. All Rent shall be payable to Landlord at the address set forth in this Lease, unless Landlord directs otherwise in writing. Any installment of rent not received within ten (10) days of its due date shall be subject to a late charge of five percent (5%).

d. Additional Rent. All sums payable under this Lease by Tenant shall be deemed additional rent, payable within thirty (30) days after written demand accompanied by reasonably detailed backup documentation. If Tenant fails to pay any sum within fifteen (15) days of the date it is due, the sum shall bear interest at eight percent (8%) per annum.

e. Amount Due at Execution. Upon execution of this Lease, Tenant shall pay to Landlord the sum of \$48,550.00 to be held as a security deposit (the “Security Deposit”).

5. SECURITY DEPOSIT.

a. The Security Deposit shall be held by Landlord as security for the faithful performance of the terms of this Lease. During the Term of this Lease and any extension,

Landlord may hold the Security Deposit without interest to Tenant and may co-mingle the Security Deposit with Landlord's other funds. If any sum payable by Tenant is overdue beyond the expiration of all applicable notice and cure periods, Landlord may apply any portion of the Security Deposit to payment of the overdue sum. If Tenant fails to perform any term of this Lease beyond the expiration of all applicable notice and cure periods, Landlord may apply as much of the Security Deposit as may be necessary to compensate Landlord for loss or damage sustained. If any portion of the Security Deposit is applied by Landlord pursuant to this section, Tenant shall, upon written demand, remit a sufficient amount in cash to restore the Security Deposit to the original sum deposited, and Tenant's failure to do so within five (5) days after receipt of demand shall constitute a breach of this Lease. Tenant shall not assign, pledge, mortgage or otherwise hypothecate its interest in the Security Deposit.

b. If Tenant complies with all of the terms of this Lease, and promptly pays all of the sums provided for as they fall due, the Security Deposit shall be returned to Tenant within thirty (30) days after termination of this Lease.

c. Upon any transfer of Landlord's interest in this Lease, Landlord may deliver the amount of the Security Deposit to its successor whereupon Landlord shall be discharged from any further liability with respect to the Security Deposit.

6. UTILITIES. Tenant shall secure accounts in its own name and pay for all utilities delivered to the Premises, including electricity, trash collection, gas, heat, cooling, telephone, internet and all other utilities and all taxes or charges on such utility services. Landlord shall not be liable for any interruption or failure in the supply of any utilities to the Premises nor shall rent be abated during such failure or interruption in each case except to the extent arising from the negligence or willful misconduct of Landlord or any of this employees, agents or contractors.

7. TENANT COVENANTS.

a. Tenant will not use or permit the Premises to be used for: i) any illegal purposes; nor ii) any use other than the Intended Use.

b. Tenant will not undertake any alterations to the Premises which violate the ADA and Tenant will indemnify and hold Landlord harmless from any and all claims, damages or suits that may be brought as a result of an alleged violation of the ADA that accrues after September 1st, 2025 as a result of a condition created after the September 1st, 2025.

c. Landlord, its agents and employees shall have the right to enter the Premises on not less than forty-eight (48) hours' notice to view the condition of the Premises, to show the Premises to prospective purchasers or tenants during the last six (6) months of a term, and to inspect and make repairs, alterations, improvements or additions.

8. MAINTENANCE.

a. Landlord, at Landlord's sole expense, will keep, maintain, and repair or replace the structural portions of the Premises, including the foundations, exterior walls, all plumbing below the floor, and roof, in good working order provided that any maintenance or repair made necessary due to fire or other casualty shall be performed by Tenant to the extent expressly covered by the casualty insurance policy procured by Tenant.

b. Tenant will keep, maintain, and repair or replace the interior and exterior of the Premises, including, without limitation, all of the heating, ventilation and air conditioning equipment ("HVAC"), factory ventilation and heating systems, bridge crane systems, all plumbing and electrical pipes and conduits in the walls, interior and exterior painting to the

extent deemed necessary by Tenant (or as reasonably requested by Landlord as to exterior painting), all lighting and all windows and storefront systems of the Premises. Tenant shall: i) maintain and pay a quarterly maintenance contract for the central HVAC system; and ii) shall arrange for reputable third parties to perform routine maintenance to the factory heating systems and bridge crane systems as is commercially reasonable to maintain in good working condition. . Upon termination or cancellation of the Lease, Tenant shall surrender, remove all personal property, perform a final professional cleaning (interior and exterior), repair any damage caused by Tenant's use (excluding damage caused by normal wear and tear and/or caused by fire or other casualty), and deliver the Premises to Landlord free of any environmental contamination in violation of law caused by Hazardous Materials introduced to the Premises by Tenant. Notwithstanding anything to the contrary, in no event shall Tenant be required to replace any component of the Premises that is obsolete or at the end of its useful life (and Landlord shall perform such replacement at Landlord's cost and expense upon Tenant's request). Notwithstanding the foregoing, Tenant is not responsible for maintaining, repairing or replacing any equipment related to the resin tank, resin tank building, and all related connections to the chopper guns, including the chopper guns. Tenant may, at its sole discretion, remove the chopper guns and related equipment.

9. **LIABILITY FOR DAMAGES.** Landlord shall not be liable for any damage done or occasioned by or from plumbing, gas, water, steam or other pipes or sewage or the bursting, leaking or running of any cistern, tank, washstand, water closet, or waste pipe above, upon, or about the Premises, nor for damages occasioned by water coming through the roof, sunlight, trap door or otherwise, nor for loss or damage arising from acts or negligence of any third parties upon the Property, in each case except to the extent arising from the negligence or willful misconduct of Landlord or any of its employees, agents or contractors. Landlord shall not be responsible for any loss of or damage to personal property or fixtures, by theft or otherwise in each case except to the extent arising from the negligence or willful misconduct of Landlord or any of its employees, agents or contractors. All property of Tenant or others kept or stored on the Premises shall be so kept or stored at the risk of Tenant only except to the extent of damage arising from the negligence or willful misconduct of Landlord or any of its employees, agents or contractors, provided that Tenant shall have no liability for damage or loss to any of the Landlord's Property (as defined in Section 41 herein) stored or located upon the Property.

10. **INSURANCE.**

a. Tenant shall obtain and keep in force comprehensive general liability insurance, including property coverage, on an occurrence basis, with limits of not less than Two Million Five Hundred Thousand Dollars (\$2,500,000.00) single limit with an aggregate limit of Five Million Dollars (\$5,000,000), insuring Landlord and Tenant against liability arising out of ownership, use, occupancy or maintenance of the Premises and all areas appurtenant. Said insurance shall specifically include coverage for any and all risks associated with, arising out of or in any way related to products liability and completed operations, personal, and advertising injury. The limit of insurance shall not limit the liability of Tenant.

b. Tenant shall, at its cost, maintain at all times a Special Form Policy insuring against any damage to the building or improvements for fire or any other casualty to the Premises for the full replacement cost of the improvements. As of September 1st, 2025, Tenant shall carry at least the amount of coverage as Landlord's current casualty insurance and such amount may be increased throughout the Term in an amount as reasonably determined by Landlord in order to properly insure the full replacement value of the improvements. If the Premises is damaged by fire or otherwise to such extent so as to interfere with their use by Tenant, Tenant shall remain obligated to pay the Rent while the Premises is restored and it shall be Tenant's election whether or not to obtain business interruption insurance to insure such rent obligations. **TENANT SHALL BE RESPONSIBLE FOR PAYMENT OF ANY DEDUCTIBLE**

REQUIRED UNDER THE CASUALTY INSURANCE POLICY, INCLUDING ANY DEDUCTIBLE REQUIRED FOR A NAMED STORM AND/OR HURRICANE.

c. Tenant shall obtain and keep in force all employees or workers compensation insurance required under the laws of the State of Georgia and any other insurance necessary to protect Landlord and Landlord's property manager against any other liability of person or property arising by operation of law, whether such law is now in force or is adopted subsequent to the execution of this Lease.

d. Tenant shall be responsible for obtaining and keeping in force such policies of insurance as Tenant deems necessary or advisable to cover the full value of Tenant's personal property and improvements (including the property of others) in or about the Premises. Landlord shall have no responsibility whatsoever for any loss suffered by Tenant for Tenant's personal property or the personal property of others. If Landlord is made a party to any litigation connected in any way with this Lease or Tenant's use or occupancy of the Premises (other than an action between Landlord and Tenant as to a dispute pursuant to this Lease), Tenant will indemnify and hold Landlord harmless and will pay all costs, expenses and reasonable attorneys' fees incurred by Landlord, except with respect to litigation arising from the negligence or willful misconduct of Landlord or any of this employees, agents or contractors.

e. All policies shall be in insurance companies licensed to do business in Georgia, reasonably satisfactory to Landlord, and shall name Landlord as additional parties insured. Failure to provide evidence of coverage shall constitute default. Certificates of Insurance shall be delivered to Landlord on or before the Delivery Date with renewals delivered to Landlord at least ten (10) days prior to the expiration of any policy. If requested to do so, Tenant shall provide Landlord with copies of the pertinent portions of all policies and permit Landlord to examine the original policies. Each policy shall contain an agreement by the insurer that the policy shall not be canceled without thirty (30) days prior notice to Landlord. If Tenant fails to deliver any certificate required, Landlord may procure the insurance. The premiums shall be payable by Tenant to Landlord, as additional rent, with interest, immediately upon demand.

f. For all insurance policies required to be obtained by Tenant under this Lease, except worker's compensation and employer's liability insurance, Tenant shall name the Landlord, Landlord's mortgagee, (if any), and any other party reasonably designated by Landlord as an additional insured. Documentation reflecting such party's status as an additional insured shall be made available by Tenant to Landlord upon Landlord's request.

g. Notwithstanding anything to the contrary, if the Premises is damaged by fire or other casualty, then Tenant shall not be required to repair such damage if Tenant pays to Landlord all property insurance proceeds in respect of such fire or other casualty received by Tenant.

11. INDEMNITY; EXEMPTION FROM LIABILITY.

a. Indemnity. Tenant shall indemnify, defend, and hold Landlord harmless against all actions, damages, judgments, fines, and penalties in respect of third-party claims for damage or injury to person or property arising from or out of any occurrences within the Premises during the Term (except to the extent arising from the acts or omissions of Landlord or any of its employees, agents or contractors). Landlord shall indemnify, defend, and hold Tenant harmless against all claims, actions, damages, judgments, fines, and penalties in respect of contractual liability claims relating to the Landlord's agreements with third parties; and/or claims for Landlord's acts or omissions that are not related to the Premises. If any such claim is so asserted against an indemnified party (the "Indemnified Party"), or any legal action with respect to any

such claim is commenced against an Indemnified Party, the Indemnified Party shall promptly notify the other party (the "Indemnifying Party"). The Indemnifying Party shall have the right to assume the defense with counsel chosen by the Indemnifying Party subject to the approval of the Indemnified Party (such approval not to be unreasonably withheld, conditioned or delayed) or by the Indemnifying Party's insurer. If the Indemnifying Party so assumes the defense, the Indemnifying Party shall not be responsible for the fees of any separate counsel employed by the Indemnified Party

b. Exemption of Landlord from Liability. Landlord shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Tenant, Tenant's employees, contractors, invitees, customers, or any other person in or about the Property, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises, or from other sources or places. Notwithstanding Landlord's negligence or breach of this Lease, Landlord shall under no circumstances be liable for injury to Tenant's business or for any loss of income or profit therefrom.

12. SIGNS. Tenant may, at Tenant's expense, install and maintain signage upon the Premises, in compliance with all city, county, and state laws, ordinances, or requirements and keep in good condition and repair at all times.

13. SUBORDINATION.

a. Landlord represents and warrants that no ground lease, mortgage or deed of trust encumbers all or any portion of the Premises. Tenant shall, at Landlord's request, subordinate this Lease to the lien of any mortgage that may now or hereafter encumber or otherwise affect the Premises; provided, as a condition to such subordination, such mortgagee will execute a non-disturbance agreement as set forth in Subsection 13(b) below. Tenant shall attorn to the successor to Landlord's interest herein, if requested to do so by such successor, and recognize such successor as the Landlord under this Lease. Tenant will execute and deliver upon the request of Landlord any reasonable instrument evidencing such subordination, non-disturbance and attornment.

b. Landlord will endeavor to cause any mortgagee to deliver to Tenant a nondisturbance agreement providing that the holders of such mortgage agree that, so long as Tenant is not in default beyond the expiration of all applicable notice and cure periods, Tenant's leasehold estate will remain undisturbed and will survive any and all actions and proceedings which may be taken pursuant to the instrument to which this Lease is subordinated.

c. Tenant acknowledges that the Lease may be assigned by Landlord to a mortgagee as security. Tenant shall not look to the mortgagee, mortgagee in possession or successor in title to the Premises for accountability for any security deposit unless the sums have actually been received in cash by the mortgagee, mortgagee in possession or successor in title to the Premises.

14. ESTOPPEL CERTIFICATE. Tenant or Landlord agree, at any time, upon not less than ten (10) business days prior written notice by the other party, to execute a statement in writing (i) certifying that this Lease is unmodified and in full force and effect (or, if there have been modifications, stating such modifications), (ii) stating the dates to which the rent and any other charges hereunder have been paid by Tenant, (iii) stating whether or not, to the knowledge of the party executing the statement, Landlord or Tenant is in default in the performance of this Lease, and, if so, specifying each default of which the executing party may have knowledge, and (iv) stating the address to which notices to the executing party should be sent.

15. CONDEMNATION.

a. If the Property is taken by eminent domain, or so much thereof as to render the balance inadequate for the operation of Tenant's business in Tenant's reasonable discretion,, then this Lease shall terminate.

b. If a taking by eminent domain occurs which does not terminate this Lease but which interferes substantially with the use of the balance of the Premises by Tenant, Tenant may request an abatement of Rent; provided, that if the parties cannot reasonably agree to the amount of Rent to be abated, then this Lease shall terminate. A "substantial interference" will be (a) any taking which reduces the ability of Tenant to utilize the Premises for the Intended Use, (b) any taking which results in a loss of use of any portion of a building, or (c) any taking which results in the loss of more than 5% of the total square footage of the land comprising the Premises.

c. If the taking does not interfere substantially with the use of the Premises by Tenant, there shall be no abatement of Rent.

d. Landlord and Tenant shall each have the right to make any separate claims allowed by the laws of the State of Georgia against the condemning authority. Such separate claim by Tenant may include, without limitation, the following: severance damages, the unamortized value or unamortized cost of its trade fixtures, equipment and other personal property; its relocation expenses; loss of business; and "goodwill".

16. COMPLIANCE WITH THE LAW. Landlord, at Landlord's sole cost and expense, shall cause the structural portions of the Premises that Landlord is required to maintain, repair and/or replace under Section 8(a) to be in compliance at all times with all applicable laws now in effect or which may hereafter come into effect, whether or not they reflect a change in policy from that now existing, during the term or any part of the Term hereof. Tenant shall not use the Premises or permit anything to be done in or about the Premises which will in any way conflict with any law, statute, ordinance or governmental rule, regulation or requirement now in force or which may hereafter be enacted or promulgated by the federal, state and/or local government. Tenant shall at its sole cost and expense promptly comply with all laws, statutes, ordinances and governmental rules, regulations or requirements now in force or which may hereafter be in force and with the requirements of any board of fire underwriters or other similar body now or hereafter constituted relating to or affecting the condition, use or occupancy of the Premises, excluding structural changes not related to or affected by Tenant's improvements or acts. The judgment of any court of competent jurisdiction or the admission of Tenant in an action against Tenant, whether or not Landlord is a party, that Tenant has violated any law, statute, ordinance, or governmental rule or requirement, shall be conclusive of that fact as between Landlord and Tenant.

17. ABANDONMENT. Tenant shall not vacate or abandon the Premises at any time during the term, and if Tenant shall abandon, vacate or surrender the Premises, or be dispossessed by process of law, or otherwise, any personal property belonging to Tenant and left on the Premises shall be deemed to be abandoned (unless Tenant continues to pay Rent and all other charges hereunder as and when due), at the option of Landlord, except such property as may be mortgaged to Landlord.

18. LIENS. Tenant shall keep the Premises free from any liens arising out of any work performed, materials furnished or obligations incurred by Tenant. The interest of Landlord in the Premises shall not be subject to liens for improvements made by Tenant. Tenant shall notify every contractor making improvements of this provision. At Landlord's request, Tenant shall execute and deliver without charge a Memorandum of Lease, in recordable form, containing a

confirmation that the interest of Landlord shall not be subject to liens for improvements made by Tenant to the Premises.

19. ASSIGNMENT AND SUBLETTING.

a. Tenant shall not assign this Lease nor sublet the Premises without the prior written consent of Landlord, which consent will not be unreasonably withheld, conditioned or delayed. Any Tenant request to sublet the Premises shall be in writing and shall include: i) a description of the proposed sub-tenant's business and the proposed sub-tenant's intended use of the Premises; ii) such financial statements and account information as reasonably necessary for the Landlord to evaluate the sub-tenant's creditworthiness and financial merit. Upon delivery of a complete notice, the request shall be deemed granted unless Landlord notifies Tenant of Landlord's reasonable reason(s) for withholding consent within ten (10) days after Tenant's request for such consent. For the purposes of this section, and any transfer of any right of possession or use of the Premises shall be deemed an assignment or subletting.

b. By this provision, Landlord consent, however, is not required for an assignment of this Lease to or sublease of the Premises by Tenant to a subsidiary, parent or an affiliate of Tenant if Tenant provides fifteen (15) days prior written notice to Landlord consisting of a copy of the proposed assignment or sublease. Tenant shall pay Landlord a fee of One Thousand Dollars (\$1,000.00) to offset Landlord's cost for legal review of the document. Tenant shall remain fully liable on this Lease and shall not be released from performance of any of the terms, covenants, and conditions thereof.

c. Consent by Landlord to any assignment or subletting shall not constitute a waiver of the necessity for such consent to any subsequent assignment or subletting.

d. If the Premises is occupied by anyone other than Tenant, Landlord may collect Rent from the occupant, and apply the net amount collected to the Rent reserved under this Lease. Acceptance of Rent will not be deemed consent to any such occupancy or any other party.

e. Any consent by Landlord to any assignment of this Lease will be conditioned upon the assignee assuming the full and faithful performance of all the terms of this Lease and upon the continued liability of Tenant. Any consent by Landlord to any subletting will be conditioned upon the express agreement by the subtenant to be bound by the terms of this Lease applicable to Tenant. The terms of any assignment or sublease must be reasonably acceptable to Landlord and Tenant and shall pay all of Landlord's reasonable attorneys' fees in connection with the review of any proposed assignment or sublease documentation. Tenant shall remain fully liable on this Lease and shall not be released from performance of any of the terms, covenants, and conditions thereof.

f. Notwithstanding anything, no Landlord consent or approval shall be required in respect of any Permitted Transfer. A "Permitted Transfer" shall mean an assignment of Tenant's interest in this Lease in connection with a merger or consolidation, or sale of Tenant's assets or equity interests. Upon a Permitted Transfer, the predecessor Tenant entity shall be deemed released from all obligations under this Lease, notwithstanding anything to the contrary.

20. HOLDING OVER. Tenant shall pay Landlord 125% the amount of the daily Rent in effect immediately prior to termination for each day Tenant retains possession of the Premises after termination. Tenant shall also pay all damages sustained by Landlord by reason of such retention. Acceptance by Landlord of rent after termination will not constitute a renewal. This provision will not be deemed to waive Landlord's right of re-entry or any other right.

21. BANKRUPTCY OR INSOLVENCY. Either a) the appointment of a receiver to take possession of all or substantially all of the assets of Tenant, b) an assignment by Tenant for the benefit of creditors or c) any action taken or suffered by Tenant under any insolvency, bankruptcy or reorganization act, shall be a breach of this Lease by Tenant. Upon such breach, this Lease shall terminate five (5) days after written notice of termination from Landlord to Tenant. This Lease shall not be assigned or assignable by operation of law or by voluntary or involuntary bankruptcy proceedings or otherwise and in no event shall this Lease or any rights or privileges hereunder be an asset of a Trustee under any bankruptcy, insolvency or reorganization proceedings.

22. TENANT'S DEFAULT. For purposes of Section 23, Tenant shall be deemed to be in default of this Lease only if:

a. Tenant fails to pay rent or any other sums due hereunder, or any part thereof, for a period of five (5) business days after Landlord gives Tenant written notice of such default.

b. Tenant fails to pay rent or any other sums due hereunder, or any part thereof, on or before the due date more than three (3) times in any twelve (12) month period and Landlord notifies Tenant of each such default prior to its cure, notwithstanding that such previous failures shall have been cured by Tenant. Tenant shall not have the right to cure such repeated failure.

c. Default in the performance of any other covenant or condition of this Lease for a period greater than thirty (30) days after written notice by Landlord to Tenant of such default.

d. Tenant fails to perform any similar covenant or condition of this Lease more than three (3) times in any twelve (12) month period and Landlord notifies Tenant of each such default prior to its cure, notwithstanding that such previous failure shall have been cured by Tenant. Tenant shall not have the right to cure such repeated failure.

23. LANDLORD'S REMEDIES ON DEFAULT. In addition to all remedies provided pursuant to Georgia law, Landlord shall have the following remedies if and for so long as Tenant is default of this Lease beyond the applicable notice and cure period as provided in Section 22:

a. Upon thirty (30) days' advance notice, Landlord may reenter the Premises and terminate the Lease all subject to and in accordance with Georgia law. Following such termination of the Lease, Landlord may remove all persons and personal property from the Premises. Following such termination of the Lease, Landlord shall give notice to Tenant of any personal property to Tenant that remains upon the Premises and Tenant shall have 15 days to remove such personal property. Any personal property of Tenant remaining upon the Premises after 15 days from Landlord's notice may be discarded by Landlord or removed and stored in a public warehouse or elsewhere at the cost of, and for the account of, Tenant.

b. Following termination of this Lease in accordance with Section 23(a), Landlord may relet the Premises or any part of the Premises for any term, at such rent and on such terms as may be commercially reasonable, for Tenant's account. Landlord may make such alterations or repairs of the Premises as may be necessary or required. The duties and liabilities of the parties upon such reletting are as follows:

1. In addition to Tenant's liability to Landlord for breach of the Lease, Tenant shall be liable for all reasonable expenses of the reletting, including, without limitation, broker's commissions, expenses of alterations and repairs, and all other expenses of Landlord. Tenant shall pay to Landlord such expenses on the dates the rent payments are due, minus the rent received by Landlord from reletting.

2. Landlord, at his option, shall have the right to apply the rent received from reletting the Premises as follows:

First, to reduce Tenant's indebtedness to Landlord under the Lease, not including indebtedness for rent;

Second, to recover expenses of reletting and alterations and repairs made;

Third, to recover the rent due under the Lease; and

Fourth, to payment of future rent under the Lease as it becomes due.

c. Upon termination of the Lease, Landlord may recover from Tenant all damages resulting from the breach, including: i) the cost of recovering the Premises; ii) the unpaid rent that had been earned at time of termination of Lease, and iii) the unpaid rent that would have been earned from the date of such termination until the end of the Lease Term, after deduction from any rents received by Landlord from reletting the Premises (net of any reasonable Landlord costs or expenses of reletting the Premises) the intent being that Landlord will receive the benefit of the bargain in entering into this Lease. In the latter event, Landlord shall undertake commercially-reasonable efforts to relet the Premises but shall be under no obligation to accept lease terms less favorable than as provided in this Lease, as determined in Landlord's reasonable discretion. All such amounts shall be immediately due and payable from Tenant.

24. LANDLORD'S DEFAULT. If Landlord shall violate, neglect or fail to perform or observe any of the representations, covenants, provisions, or conditions contained in this Lease on its part to be performed or observed, which default continues for a period of more than thirty (30) days after receipt of written notice from Tenant specifying such default, or if such default is of a nature to require more than thirty (30) days for remedy and continues beyond the time reasonably necessary to cure (provided Landlord must have undertaken procedures to cure the default within such thirty (30) day period and thereafter diligently pursues such efforts to cure to completion), Tenant may, at its option (in addition to all other rights and remedies provided Tenant at law, in equity or hereunder), upon written notice, incur any reasonable expense necessary to perform the obligation of Landlord specified in such notice and bill Landlord for the costs thereof. If Landlord fails to pay such amount within ten (10) days of demand, Tenant shall have the right to credit such amount against Rent and other amounts due under this Lease. Notwithstanding the foregoing, if in Tenant's reasonable judgment, an emergency shall exist, Tenant may cure such default without any prior notice to Landlord. Nothing herein shall be construed as requiring Tenant to await the passage of thirty (30) days before seeking equitable relief. The self-help option given in this Section is for the sole protection of Tenant, and its existence shall not release Landlord from its obligation to perform the terms, provisions, covenants and conditions herein provided to be performed by Landlord or deprive Tenant of any legal rights which it may have by reason of any such default by Landlord. Subject to the notice and cure periods provided herein, Tenant shall have the right to exercise any and all other remedies available to Tenant, in connection with a default by Landlord, at law or in equity, including, without limitation, injunctive relief. Except as otherwise set forth herein to the contrary, mention in this Lease of any particular remedy shall not preclude Tenant from any other remedy, in law or in equity. Except as otherwise set forth herein to the contrary, no remedy herein or otherwise conferred upon or reserved to Tenant shall be considered to exclude or suspend any other remedy but the same shall be cumulative and shall be in addition to every other remedy given hereunder, or now or hereafter existing at law or in equity or by statute, and every power and remedy given by this Lease to Tenant may be exercised from time to time and as often as any occasion may arise or as may be deemed expedient.

25. LEASEHOLD IMPROVEMENTS.

a. Landlord will not be required to install any improvements in the Premises and will deliver the Premises free of any property and debris, in broom clean condition. Tenant has inspected the Premises and expressly acknowledges that it will take possession of and accept the Premises in **AS IS** condition except as otherwise set forth in this Lease (and the foregoing shall not affect Landlord's maintenance, repair, replacement and other obligations under the Lease).

b. Any and all subsequent alterations and improvements to the Property in excess of \$100,000 shall be performed at Tenant's sole cost and expense and shall require Landlord's prior written consent, which shall not be unreasonably withheld, conditioned or delayed (and shall be deemed granted unless Landlord notifies Tenant of Landlord's reasonable reason(s) for withholding consent within ten (10) days after Tenant's request for such consent). In no event shall Landlord's consent be required for any alteration or improvement that does not require a building permit or that does not affect the structural elements of the Premises. Landlord may impose any reasonable conditions upon consent that Landlord deems advisable. All construction and installation shall be completed in a good and workmanlike manner. Any and all subsequent alterations and improvements shall comply with the following requirements:

1. For any alteration or improvement that requires Landlord consent, Tenant will prepare and submit to Landlord all construction documents, including drawings, plans, specifications, and construction contract (if applicable). Once Landlord has consented to the applicable alteration or improvement, Tenant will not make any change in the construction documents without the prior written consent of Landlord, which shall not be unreasonably withheld, conditioned or delayed (and shall be deemed granted unless Landlord notifies Tenant of Landlord's reasonable reason(s) for withholding consent within ten (10) days after Tenant's request for such consent).
2. Tenant will perform any alteration or improvement in compliance with all land use, building, subdivision, zoning, pollution, and similar laws, rules and ordinances, and regulations promulgated by any governmental authority and applicable to the improvements on the Premises. Tenant will obtain and deliver to Landlord the originals or certified copies of all building, zoning, use, environmental, and other permits.
3. All alterations and improvements made by or for Tenant which are affixed to the Premises shall remain the property of Landlord.
4. Tenant warrants that all construction and improvements will only be performed by contractors and subcontractors duly licensed.
5. Tenant will permit Landlord, or its representatives, to enter on the Premises in accordance with Section 7(c), to inspect the improvements and all materials to be used in the construction, and to examine all detailed plans and shop drawings that are or may be kept at the site of the improvements. Tenant will, upon demand of Landlord, correct any defect in the improvement or any material departure from the plans and specifications that was not approved by Landlord. Correction of any defects or departure shall include removal of all portions of the work that Landlord may reasonably determine to be unsound or improper.

6. Tenant will not undertake any alterations to the Premises which violate the ADA and Tenant shall indemnify and hold Landlord harmless from any and all claims, damages or suits that may be brought as a result of Tenant's alleged violation of the ADA.

26. **SALE BY LANDLORD.** If Landlord sells or conveys the Premises, Landlord will be released from any future liability upon any of the covenants or conditions, expressed or implied, herein contained in favor of Tenant if Landlord's successor assumes all of the obligations of Landlord, and Tenant will look solely to the responsibilities of the successor in interest of Landlord. This Lease will not be affected by any such sale, and Tenant will attorn to the purchaser or assignee.

27. **RIGHT OF LANDLORD TO PERFORM.**

a. All agreements to be performed by Tenant under this Lease shall be performed by Tenant at its sole expense, without any abatement of rent. If Tenant fails to pay any sum of money, other than rent, required to be paid by it or fails to perform any other act on its part to be performed, and the failure continues beyond the expiration of all applicable notice and cure periods, Landlord may, but shall not be obligated to, make any such payment or perform any such act on Tenant's behalf. Tenant's obligations shall not be waived by Landlord's exercise of this option.

b. All sums paid by Landlord and all necessary incidental costs, plus interest thereon at the rate of eight percent (8%) per annum from the date of payment by Landlord, shall be payable to Landlord by Tenant on demand. Landlord shall have (in addition to any other right or remedy) the same rights and remedies for the nonpayment as in the case of default by Tenant in the payment of the rent.

28. **ATTORNEYS' FEES.** If it becomes necessary for Landlord or Tenant to employ an attorney to enforce this Lease, attorneys' fees shall be awarded to the prevailing party.

29. **SURRENDER OF PREMISES.** The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, will not work a merger, and will, at the option of Landlord, terminate all or any existing subleases or subtenancies, or may, at the option of Landlord, operate as an assignment to it of any or all such subleases or subtenancies.

30. **WAIVERS.** The waiver by Landlord of any term of this Lease will not be deemed to be a waiver of any subsequent breach of the same or any other term. The subsequent acceptance of rent by Landlord will not be deemed to be a waiver of any preceding breach by Tenant of any term of this Lease, other than the failure of Tenant to pay the particular rent accepted, regardless of Landlord's knowledge of the preceding breach at the time of acceptance of rent.

31. **NOTICES.** Any notice, consent, waiver, request or other communication required or provided to be given under this Agreement shall be in writing and shall be sufficiently given and shall be deemed given when delivered personally (with written receipt) or when mailed by certified or registered mail, return receipt requested, postage prepaid, or when dispatched by nationally recognized overnight delivery service, in any event, addressed to the party's address as follows:

If to Landlord: RMI VALDOSTA, LLC
2300 Jetport Drive
Orlando, FL 32809
Attn: Sean Cuda

If to Tenant: Blue Ops, Inc.
Attn: Chris Ericson
2800 S. West Temple, Suite 2
Salt Lake City, Utah 84115
Telephone: 973-615-1892
Email chris.ericson@redcat.red

Copies to: Sheppard Mullin Richter & Hampton LLP
12275 El Camino Real, Suite 100
San Diego, CA 92130-4092
Attn: John D. Tishler, Esq.
Tel. 858-720-8943
Email: jtishler@sheppardmullin.com

Notices shall be deemed to have been served upon the party to whom addressed upon delivery, unless mailed, in which event on the third (3rd) day after deposit in the U. S. Mail. Either party may change its address by giving written notice of such change to the other party.

32. COVENANT OF QUIET ENJOYMENT. Tenant will, at all times during such term, have the peaceful and quiet enjoyment and possession of the Premises. Without limiting the foregoing, in no event shall Landlord cause or permit any encumbrance of the Premises that would adversely affect the Tenant or the conduct of business in the Premises without Tenant's prior written consent.

33. SUCCESSORS AND ASSIGNS. The covenants and conditions herein contained shall, subject to the provisions as to assignment, apply to and bind the heirs, successors, executors, administrators and assigns of the parties.

34. HAZARDOUS MATERIAL. Subject to the remaining provisions of this paragraph, Tenant shall be entitled to use and store only those Hazardous Materials (defined below) that are necessary for Tenant's business, provided that such usage and storage is in full compliance with all applicable local, state and federal statutes, orders, ordinances, rules and regulations (as interpreted by judicial and administrative decisions). Landlord shall have the right at all times during the term of this Lease to (i) inspect the Premises, (ii) conduct tests and investigations to determine whether Tenant is in compliance with the provisions of this Paragraph, and (iii) request lists of all Hazardous Materials used and stored or located on the Premises, the cost of all such inspections, tests and investigations to be borne by Tenant, if Landlord reasonably believes they are necessary. Tenant shall give to Landlord immediate verbal and written notice of any spills, releases or discharges of Hazardous Materials on the Premises or adjacent to the Premises, caused by the acts or omissions of Tenant, or its agents, employees, representatives, invitees, licensees, subtenants, customers or contractors. Tenant covenants to investigate, clean up and otherwise remedy any spill, release or discharge of Hazardous Materials caused by the acts or omissions of Tenant, or its agents, employees, representatives, invitees, licensees, subtenants, customers or contractors at Tenant's cost and expense, such investigations, clean up and remediation to be performed after Tenant has obtained Landlord's written consent, which shall not be unreasonably withheld, provided, however, that Tenant shall be entitled to respond

immediately to any emergency without first obtaining Landlord's written consent. Tenant shall indemnify, defend and hold Landlord harmless from and against any and all claims, judgments, damages, penalties, fines, liabilities, losses, suits, enforcement proceedings, administrative proceedings and costs (including, but not limited to, attorneys' and consultants' fees) arising from or related to the use, presence, transportation, storage, disposal, spill, release or discharge of Hazardous Materials on or about the Premises caused by the acts or omissions of Tenant, its agents, employees, representatives, invitees, licensees, subtenants, customers or contractors. Landlord shall indemnify, defend and hold Tenant harmless from and against any and all claims, judgments, damages, penalties, fines, liabilities, losses, suits, enforcement proceedings, administrative proceedings and costs (including, but not limited to, attorneys' and consultants' fees) arising from or related to the use, presence, transportation, storage, disposal, spill, release or discharge of Hazardous Materials on or about the Premises caused by the acts or omissions of Landlord, its agents, employees, representatives, invitees, licensees, subtenants, customers or contractors or existing on or under, or migrating from the Premises prior to the effective date of this Lease. Tenant shall not be entitled to install any underground tanks. Tenant may only install aboveground tanks for the storage of Hazardous Materials, in accordance with all applicable local, state and federal statutes, orders, ordinances, rules and regulations, with the express written consent of Landlord, which consent may not be unreasonably withheld. For avoidance of doubt, such aboveground tanks shall be constructed with secondary containment and alarms. As used herein, the term "Hazardous Materials" shall mean (i) any hazardous or toxic wastes, materials or substances, and other pollutants or contaminants, which are or become regulated by all applicable local, state and federal laws, including but not limited to the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, the Superfund Amendments and Reauthorization Act of 1986, the Resource Conservation and Recovery Act, the Toxic Substances Control Act, as such acts may be amended from time to time, and any other Federal, state, county, municipal, local or other law, statute, code, ordinance, rule or regulation which relates to or deals with the release of or exposure to Hazardous Materials in the jurisdiction in which the Property is located; (ii) petroleum; (iii) asbestos; (iv) polychlorinated biphenyls; and (v) radioactive materials. A violation of Tenant's obligations under this Section, including failure to remediate any spill or discharge of Hazardous Materials within thirty (30) days, shall constitute a default under Section 22 of this Lease and may result in immediate termination by Landlord pursuant to Section 23. The provisions of this Paragraph shall survive the termination of this Lease.

35. RADON GAS. Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in Georgia. Additional information regarding radon and radon testing may be obtained from your county public health unit.

36. INDEMNIFICATION FOR LEASING COMMISSIONS. Landlord recognizes Bird Commercial Real Estate, LLC and CBRE, Inc. (collectively, "Brokers") as the sole brokers procuring the Lease and shall pay said Brokers a commission pursuant to a separate agreement(s) between each of the Brokers and Landlord. Landlord and Tenant each represent and warrant to the other that, except as provided in the preceding sentence, neither of them has employed or dealt with any broker, agent or finder in carrying on the negotiations relating to the Lease. Landlord shall indemnify and hold Tenant harmless from and against all claims, costs, damages, demands, actions, liabilities, expenses and causes of action (including, without limitation, reasonable attorney's fees) of any sort either made by either of the Brokers or arising out of, resulting from or relating to a breach of the above representation and warranty by Landlord. Tenant shall indemnify and hold Landlord harmless from and against all claims, costs, damages, demands, actions, liabilities, expenses and causes of action (including, without limitation, reasonable attorney's fees) of any sort arising out of, resulting from or relating to a breach of the above representation and warranty by Tenant.

37. GOVERNING LAW. This Lease shall be governed, construed and enforced in accordance with the laws of the State of Georgia.
38. COMPLETE AGREEMENT; AMENDMENTS. This Lease, including all Exhibits, constitutes the entire agreement between the parties; it supersedes all previous understandings and agreements between the parties, if any; and no oral or implied representation or understandings shall vary its terms, and it may not be amended except by a written instrument executed by both parties.
39. EXECUTION. This Lease may be executed in counterparts, each of which shall be deemed an original, and all counterparts shall constitute one and the same instrument. Tenant must execute and deliver the Lease to Landlord prior to Landlord's execution and delivery of the Lease to Tenant. Scanned or facsimile copies of the executed Lease from each party to the other shall be effective delivery of the Lease. Each party shall receive a fully executed duplicate original of the Lease within thirty (30) days after Landlord's execution and delivery of the Lease to Tenant.
40. WAIVER OF JURY TRIAL. THE PARTIES HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING BROUGHT BY EITHER PARTY AGAINST THE OTHER ON ANY MATTERS WHATSOEVER INVOLVING THE PROPERTY OR ARISING OUT OF THIS LEASE AGREEMENT. TENANT ACKNOWLEDGES THAT THIS PROVISION IS A MATERIAL INDUCEMENT FOR LANDLORD ENTERING INTO THIS LEASE AGREEMENT. LANDLORD AND TENANT HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LANDLORD AND TENANT WITH RESPECT TO THE PROPERTY.

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IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease.

Landlord:

RMI Valdosta LLC
a Georgia limited liability company

By: RMI Holdings Management, LLC
a Florida Limited Liability Company, as Manager

Signature: /s/ Duane Kuck

Typed Name: Duane Kuck

Title: President

Date signed: 8/14/2025

Tenant:

Blue Ops, Inc. a Nevada corporation

Signature: /s/ Chris Ericson

Typed Name: Chris Ericson

Title: CFO

Date signed: 8/14/2025

Exhibit A
THE PROPERTY

All that tract or parcel of land situate, lying, and being in Land Lot 64 of the 11th Land District, City of Valdosta, Lowndes County, Georgia, containing 8.556 acres and being more particularly described as follows:

Commencing at a 5/8" iron pin at the intersection of the easterly r/w (right-of-way) margin of Valdosta Southern Railway (said railroad having a 150' r/w) with the southerly r/w margin of Industrial Boulevard (said road having a 200' r/w) being the POINT OF BEGINNING, proceed along said southerly r/w margin North 83 degrees 49 minutes 00 seconds East for a distance of 148.59 feet to a PK nail; Thence proceed along said southerly r/w margin along the clockwise arc of a curve for a distance of 413.73 feet (said curve having a radius of 16822.27 feet and being subtended by a chord of 413.72 feet with a bearing of North 84 degrees 29 minutes 10 seconds East) to a concrete monument at the intersection of said southerly r/w margin and the westerly r/w margin of James P. Rodgers Drive (said road having an 80' r/w); Thence proceed along said westerly r/w margin South 06 degrees 11 minutes 30 seconds East for a distance of 166.26 feet to a PK nail; Thence proceed along said westerly r/w margin South 11 degrees 27 minutes 00 seconds West for a distance of 450.18 feet to a concrete monument at the intersection of said westerly r/w margin with the northerly r/w margin of a spur track off of the Valdosta Southern Railway (said spur track having a 25' r/w); Thence proceed along said northerly r/w margin South 83 degrees 49 minutes 00 seconds West for a distance of 349.82 feet to a 5/8" iron pin; Thence proceed along said northerly r/w margin along the counterclockwise arc of a curve for a distance of 320.92 feet (said curve having a radius of 489.97 feet and being subtended by a chord of 315.22 with a bearing of South 65 degrees 14 minutes 14 seconds West) to a concrete monument at the intersection of said northerly r/w margin with the easterly r/w margin of Valdosta Southern Railway; Thence proceed along said easterly r/w margin North 11 degrees 27 minutes 00 seconds East for a distance of 735.10 feet to the POINT OF BEGINNING.

The above described property is known as 601 Gill Harson Industrial Boulevard (formerly 601 West Industrial Boulevard), Valdosta, Georgia, and known by the Lowndes County Tax Assessor as Map 0124C, Parcel 016.

Exhibit B
EQUIPMENT

APPENDIX A: EQUIPMENT

Below is a summary of agreements with respect to further testing, current service and future maintenance and ownership of equipment in and around the buildings on the site.

- The Fire Sprinkler System (has had an initial inspection by Georgia Automatic Sprinkler Company (“Sprinkler Co”) which identified further necessary inspection; Landlord has engaged Sprinkler Co for said further work which may result in additional repairs of parts and equipment to also be fixed by the Landlord)
 - The fire extinguishers that complement the fire suppression system shall be considered part of the fire suppression system and inspected and replaced by the Landlord if required by inspector
- Three (3) Trane AC units being used in the Main Office Building
 - In good working order and Tenant will then maintain and replace if and when unit(s) is no longer operable or serviceable
- Exhaust Systems in the Lamination area and the Pre-Finish and Grind Booth areas
 - In good working order and Tenant will then maintain and replace if and when unit(s) is no longer operable or serviceable
- Bridge Cranes & Hoists in the main building
 - In good working order and Tenant will then maintain and replace if and when unit(s) is no longer operable or serviceable
- Electrical Panels
 - In good working order and Tenant will then maintain and replace if and when unit(s) is no longer operable or serviceable
- The Loading Building: Landlord agrees to restore power to the Loading Building (including the maintenance area) and allow for the testing and possible repair of the bridge cranes
- Atlas Copco GA 75 S # API625634 25282 HRS (at a 3rd of its life)
 - Goos unit needs 8 K PM service which Landlord will engage vendor to do service work and will do any necessary repairs to establish good working order for at least a month post service
 - Once in good working order, Tenant will then maintain but is not obligated to replace due to age; and if replaced by Tenant, said new equipment will be the property of the Tenant

- Beko Dryer M# DPRAX800-NA-RB S#150008478
 - Needs PM service and new condensate drain which Landlord will engage vendor to do service work and will do any necessary repairs to establish good working order for at least a month post service
 - Once in good working order, Tenant will then maintain but is not obligated to
 - replace due to age; and if replaced by Tenant, said new equipment will be the property of the Tenant
- Middle building HVAC- One 10-ton Trane rooftop unit (new 2023)
 - Landlord will engage vendor to do service work and report any necessary repairs to establish good working order for at least a month post service
 - Tenant will then maintain and replace if and when unit is no longer operable or serviceable
- Middle building HVAC- One 7.5-ton Trane rooftop system that is 16 years old
 - Landlord will engage vendor to do service work and report any necessary repairs to establish good working order. If the unit is not operable or serviceable, Landlord will replace the unit and charge Tenant 50% of the cost in the month following installation of replacement unit
 - Tenant will then maintain and replace if and when unit is no longer operable or serviceable, with Landlord's approval; Landlord will credit Tenant 50% of the cost in the month following installation of replacement unit
- Three (3) 25-ton Trane roof top AC units that 2005 model units.
 - Unknown at this time if operable units
 - Tenant may choose to use and maintain but is not obligated to replace
- FREECOOL SWAMP COOLER SYSTEMS.
 - Landlord will engage vendor to do inspection and service work and report any necessary repairs to establish good working order for at least a month post service; these units have 3 functions (intake air flow; heating; cooling). If the unit is not operable or serviceable for the required functions of the Tenant, Landlord will replace the unit and charge Tenant 50% of the cost in the month following installation of replacement unit
 - Once in good working order, Tenant will then maintain but is not obligated to replace due to age; and if replaced by Tenant, with Landlord's approval, said new equipment will be the property of the Landlord but Landlord will credit Tenant 50% of the cost in the month following installation of replacement unit
- All gas heaters in the building will be tested and inspected and if not operational, Landlord shall be responsible for making units operational but Tenant shall be responsible for maintaining

- Atlas Copco GA45 S#HOL023453
 - Down, Obsolete 1997
 - Landlord agrees that Tenant may remove said obsolete equipment at any time
- Atlas Copco GA45 S# HOL023187
 - Down, Obsolete 1997
 - Landlord agrees that Tenant may remove said obsolete equipment at any time
- On-site fire suppression compressor not operational (expected to be replaced by Landlord and new one maintained by Tenant)
 - Landlord will remove said piece of equipment
- Landlord to engage Akin to remove the oil and gas tanks outside the building
- Any and all communication equipment left on site shall be the property of the Tenant
- All office furniture left on site shall be the property of the Tenant
- All cradles and storage racks left on site shall be the property of the Tenant
- All portable sized wooden trash bins at east side of building shall become the property of the Tenant
- All miscellaneous equipment not mentioned above and not permanently attached to the building shall become the property of the Tenant if not removed by the Landlord by August 31st, 2025
- Tenant shall have no obligation to maintain any Equipment in the Resin Tank Building, the Resin Tank Building itself, the Chopper Guns and any equipment connecting the resin in the resin tank building to the chopper guns in the building
- Tenant may use and maintain the outside dumpsters at its election but shall have no obligation to replace and if replaced, shall be the property of the Tenant
- Tenant can remove the security tower without further permission of the Landlord

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT AND RULE 13A-14(A)
OR 15D-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, Jeffrey Thompson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Red Cat Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2025

/s/ Jeffrey Thompson

Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT AND RULE 13A-14(A)
OR 15D-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, Christian Ericson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Red Cat Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2025

/s/ Christian Ericson

Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Red Cat Holdings, Inc. (the “Company”), for the quarter ended September 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jeffrey Thompson, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 13, 2025

By:	<u>/s/ Jeffrey Thompson</u>
Name:	Jeffrey Thompson
Title:	Chief Executive Officer (Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Red Cat Holdings, Inc. (the “Company”), for the quarter ended September 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Christian Ericson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 13, 2025

By: /s/ Christian Ericson
Name: Christian Ericson
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)