

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 June 30, 2019
- or
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from April 1, 2019 to June 30, 2019

Commission File Number 814-00175

**Red Cat Holdings, Inc.**  
(Exact name of Registrant as specified in its charter)

Nevada  
(State or other jurisdiction of  
incorporation or organization)

86-0490034  
(I.R.S. Employer Identification Number)

607 Ponce de Leon Ave, Suite 407  
San Juan, PR  
(Address of principal executive offices)

85251  
(Zip Code)

(833) 373-3228  
(Registrant's telephone number, including area code)

Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report

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, smaller reporting company, or an emerging growth company. See definition of "large accelerated filer", "accelerated filer" and "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

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

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
None	Not applicable	None

As of August 19, 2019, there were 16,729,048 shares of the registrant's \$0.001 par value common stock issued and outstanding.



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**PART I - FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**RED CAT HOLDINGS, INC**  
**Balance Sheets**  
(unaudited)

	<u>June 30</u> <u>2019</u>	<u>December 31</u> <u>2018</u>
<b>ASSETS</b>		
Current Assets		
Cash	\$ 389,664	\$ 211,053
Cryptocurrencies	8,162	0
Miscellaneous receivable	22,500	0
Prepaid expenses	89,470	0
Total Current Assets	<u>509,796</u>	<u>211,053</u>
Property and Equipment	75,650	0
Goodwill	12,862	0
<b>TOTAL ASSETS</b>	<u>\$ 598,308</u>	<u>\$ 211,053</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities		
Accounts payable	\$ 60,926	\$ 0
Payroll liabilities	6,943	0
Accrued Expense	34,837	68,628
Capital to be returned	2,270	0
Total Current Liabilities	<u>104,976</u>	<u>68,628</u>
Total Liabilities	104,976	68,628
Commitments and contingencies		
Stockholders' Equity		
Series A Preferred Stock - shares authorized 10,000,000; outstanding 2,169,068 and 0	21,691	0
Series B Preferred Stock - shares authorized 10,000,000; outstanding 4,212,645 and 0	42,126	0
Common stock - shares authorized 500,000,000; outstanding 471,460,470 and 215,150,947	471,460	215,151
Additional paid-in capital	1,121,727	569,399
Accumulated deficit	<u>(1,163,672)</u>	<u>(642,125)</u>
Total Stockholders' Equity	<u>493,332</u>	<u>142,425</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 598,308</u>	<u>\$ 211,053</u>

See accompanying notes.

**RED CAT PROPWARE, INC**  
**Operations Statements**  
(unaudited)

	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
<b>REVENUES</b>				
Revenue	\$ 0	\$ 0	\$ 0	\$ 0
Total Revenue	0	0	0	0
<b>EXPENSES</b>				
Research and development	145,942	100,157	295,649	113,387
Payroll expense	3,576	30,555	9,815	36,159
Professional fees	95,570	5,585	168,465	7,994
General and administrative expenses	29,950	1,169	47,618	1,230
Loss before income taxes	275,038	137,466	521,547	158,770
Provision for income taxes	0	0	0	0
NET LOSS	<u>\$ 275,038</u>	<u>\$ 137,466</u>	<u>\$ 521,547</u>	<u>\$ 158,770</u>
LOSS PER SHARE - basic and diluted	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Weighted average shares outstanding - basic and diluted	<u>281,197,042</u>	<u>195,284,615</u>	<u>281,197,042</u>	<u>195,284,615</u>

See accompanying notes.

**RED CAT PROPWARE, INC**  
**Stockholders' Equity Statements**  
(unaudited)

	Series A		Series B		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Equity
	Preferred Stock		Preferred Stock		Shares	Amount			
	Shares	Amount	Shares	Amount					
<b>Balances, January 1, 2018</b>					187,702,046	\$ 187,702	(\$ 83,152)	(\$ 108,975)	(\$ 4,425)
Issuance of common stock					27,448,901	27,449	578,151		605,600
Issuance of warrants							74,400		74,400
Net Deficit								(158,770)	(158,770)
<b>Balances, June 30, 2018</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>215,150,947</u>	<u>\$ 215,151</u>	<u>\$ 569,399</u>	<u>(\$ 267,745)</u>	<u>\$ 516,805</u>
<b>Balances, January 1, 2019</b>					215,150,947	\$ 215,151	\$ 569,399	(\$ 642,125)	\$ 142,425
Issuance of Common Stock					18,425,761	18,426	666,274		684,700
Shares Issued for Services					1,883,762	1,884	68,116		70,000
Share Exchange with Red Cat Propware	2,169,068	21,691	4,212,645	42,126	236,000,000	236,000	(182,063)		117,754
Net Deficit								(521,547)	(521,547)
<b>Balances, June 30, 2019</b>	<u>2,169,068</u>	<u>\$ 21,691</u>	<u>4,212,645</u>	<u>\$ 42,126</u>	<u>471,460,470</u>	<u>\$ 471,460</u>	<u>\$ 1,121,727</u>	<u>(\$ 1,163,672)</u>	<u>\$ 493,332</u>

See accompanying notes.

**RED CAT PROPWARE, INC**  
**Cash Flows Statements**  
(unaudited)

	Six months ended June 30,	
	2019	2018
<b>OPERATIONS</b>		
Net loss	\$ (521,547)	\$ (158,770)
Adjustments to reconcile net loss to net cash from operations:		
Common stock issued for services	70,000	0
Prepaid expenses	(89,470)	0
Accounts payable	(8,652)	0
Accrued expense	34,837	0
Payroll liabilities	6,943	880
Net cash from operations	<u>(507,889)</u>	<u>(157,890)</u>
<b>FINANCING</b>		
Common stock issued	684,700	605,600
Warrants issued	0	74,400
Capital to be returned	1,800	0
Net cash from financing	<u>686,500</u>	<u>680,000</u>
Net increase (use) of cash	178,611	522,110
Cash, beginning of period	211,053	(11)
Cash, end of period	<u>\$ 389,664</u>	<u>\$ 522,099</u>
Cash paid for interest and taxes	<u>\$ 0</u>	<u>\$ 0</u>
<b>NONCASH</b>		
Common stock issued for services	<u>\$ 70,000</u>	<u>\$ 0</u>
Shares exchanged in acquisition	<u>\$ 117,754</u>	<u>\$ 0</u>

See accompanying notes.

**RED CAT HOLDINGS, INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**  
**(unaudited)**

**Note 1 - The Business**

**Our Operations**

Red Cat Propware, Inc., (“Red Cat”), offers secure, cloud-based analytics, storage, and services for drones. Red Cat was incorporated in April 2016 in the State of Nevada. Our primary products are Black Box by Red Cat. Black Box by Red Cat analysis drone flight data and performs detailed flight reply and analytics. This data is also encrypted using our proprietary systems utilizing blockchain architecture.

We are based in Puerto Rico, a location which offers important tax incentives, certain cost advantages, and access to the top blockchain companies in the world.

**The Share Exchange Agreement**

Effective May 15, 2019, we closed a Share Exchange Agreement (the “SEA”) with TimeFireVR, Inc., (“TimeFire”), a Nevada corporation. Under the SEA, we acquired approximately 83.33% of TimeFire’s outstanding share capital on a fully-diluted basis. We issued: (i) 236,000,000 shares of our common stock, (ii) 2,169,068.0554 shares of our newly-designated Series A Preferred Stock, and (iii) 4,212,645.28 shares of our newly-designated Series B Preferred Stock.

Our new Series A Preferred Stock is convertible to common stock at a ratio of 10,000 shares of common stock for each share of preferred stock held, and votes together with the common stock on an as-converted basis. The new Series A Preferred Stock will convert automatically to common stock upon the effectiveness of any future reverse split of our common stock. This common stock and Series A Preferred Stock issued under the SEA will constitute approximately 83.33% of our issued an outstanding share capital on a fully-diluted basis.

Our new Series B Preferred Stock is convertible to common stock at a ratio of 1,000 shares of common stock for each share of preferred stock held, and votes together with the common stock on an as-converted basis. This Series B Preferred Stock issued under the SEA will constitute approximately 15.64% of our issued an outstanding share capital on a fully-diluted basis.

In total, the common stock, Series A Preferred Stock, and Series B Preferred Stock issued under the SEA are valued at \$117,754.

**Note 2 - Going Concern**

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. As reflected in our accompanying financial statements, for the six months ended June 30, 2019, Red Cat had a net loss of \$521,547 and used cash in operating activities of \$507,889. Additionally, Red Cat had an accumulated deficit of \$1,163,672 and does not yet generate revenues. Management believes that these matters raise substantial doubt about Red

**Note 2 - Going Concern (continued)**

Cat's ability to continue as a going concern for twelve months from the issuance date of this report. These financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Management believes Red Cat is well positioned after two-and-a-half years of drone research and software development. Our expertise in encryption, drone flights logs, and producing easy to use analytics will differentiate our soon to be released storage and analytics product. The Company was founded in April 2016 and has operated by using funds raised from accredited investors to build our software platform. Now a public entity with the reverse merger completed in May 2019, investors have gained public market liquidity which should allow us to raise additional funds. We believe that the going concern previously mentioned will be alleviated with the following steps listed:

- We are currently working with investment banks to raise our first institutional financing.
- We are working on acquisitions that will expedite our software platform revenue
- We believe the acquisitions we are pursuing will be accretive once closed
- We believe we will complete 2 or 3 acquisitions by our year end
- Our commercial software product is launching in fourth quarter of calendar 2019

**Note 3 - Summary of Significant Accounting Policies**

**Basis of Accounting** - The financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

**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 and 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 for the six months ended June 30, 2019 and 2018, include estimates of current and deferred income taxes and deferred tax valuation allowances.

**Cash** - At June 30, 2019 and December 31, 2018, cash is \$389,664 and \$216,807 deposited in one commercial bank account. Red Cat has not experienced any loss on such account and believes it is not exposed to any significant credit risk regarding its cash balance.



### **Note 3 - Summary of Significant Accounting Policies (continued)**

**Prepaid Expenses** – At June 30, 2019, prepaid expenses comprised principally of one consulting contract for market research and analysis services. This contract will end at January 6, 2020, unless terminated by the parties.

**Capital to be Returned** – At June 30, 2019, \$1,800 represents an amount received in excess of shares issued to one investor.

**Common Stock** – Red Cat’s common stock has a par value of \$0.001 per share.

**Warrants** - In connection with a certain stock issuance, Red Cat issued warrants to purchase shares of our common stock. Outstanding warrants are standalone instruments that are not puttable or mandatorily redeemable by the holder and are classified as equity. We measured the fair value of the warrants using the Black-Scholes option pricing model.

**Research and Development** - Research and development expenses include payroll, employee benefits, and other headcount-related expenses associated with product development. Research and development expenses also include third-party development and programming costs. Such costs related to software development are included in research and development expense until the point that technological feasibility is reached, which for our software products, is generally shortly before the products are released to production. Once technological feasibility is reached, such costs are capitalized and amortized to cost of revenue over the estimated lives of the products.

**Income Taxes** - Deferred taxes are provided on the 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.

**Related Parties** - Parties are considered to be related to Red Cat if the party, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with Red Cat. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of Red Cat and its management and other parties with which Red Cat may deal with if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests.

### **Note 4 - Stockholders' Equity**

**Issuance of Warrants** – On April 4, 2018, Red Cat issued 6,054,905 five-year warrants valued at \$74,400 to purchase 6,054,095 shares of common stock at \$0.003 per share. The following assumptions were used as inputs in the Black-Scholes option-pricing model: term - 5 years, risk-free interest rate - 5%, expected dividend rate – 0%, and expected volatility - 50%.

**Note 5 - Income Taxes**

At June 30, 2019 and 2018, income tax benefits consisted of the following:

	<u>2019</u>	<u>2018</u>
<b>Current Provision:</b>		
Federal	\$ (109,525)	\$ (33,342)
State	(104,309)	(31,754)
	(213,834)	(65,096)
Valuation Allowance	213,834	65,096
	<u>—</u>	<u>—</u>
	<u>2019</u>	<u>2018</u>
<b>Deferred Provision:</b>		
Federal	—	—
State	—	—
	<u>\$ —</u>	<u>\$ —</u>

The deferred tax asset comprises of the recognition of net operating losses for tax purposes.

	<u>2019</u>	<u>2018</u>
Deferred Tax Asset	\$ 477,106	\$ 263,271
Valuation Allowance	(477,106)	(263,271)
	<u>\$ —</u>	<u>\$ —</u>

The valuation allowance at June 30, 2019, is \$447,106. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based on consideration of these items, management has determined that enough uncertainty exists relative to the realization of the deferred income tax asset balances to assess the application of a valuation allowance as of June 30, 2019, and December 31, 2018.

**Note 5 - Income Taxes (continued)**

Red Cat, Inc., has not filed corporate income tax returns for Federal or state purposes.

**Note 6 - Related-Party Transactions**

**Founders' Shares** - On January 23, 2017, Red Cat issued 183,665,443 shares of its common stock as Founders' Shares for \$4,550. 156,418,372 were issued to Red Cat's founder and CEO and 27,247,071 to an outside consultant who assisted with the Red Cat's formation and early organization.

**Initial Investment** - On January 26, 2017, the same outside consultant purchased 4,036,603 shares of common stock for \$100,000.

**Shares Issued for Services** - On May 7, 2019, the same outside consultant was issued 1,883,792 shares valued at \$70,000 for legal services provided.

**Office Space Rental** - Red Cat rented office space from Red Cat's CEO for the 2019 and 2018 years for \$8,100 and \$7,200. This office space arrangement ended March 31, 2019. Rent expense is classified within general and administrative expenses.

**Note 7 - Commitments and Contingencies**

**Office Lease** - In December 2018, Red Cat entered into a lease arrangement for its office space located in San Juan, Puerto Rico, for \$26,638 per annum. Red Cat pays \$2,220 per month for this space. There are no renewal terms. Rent expense is classified within general and administrative expenses.

**Note 8 - Subsequent Events**

**Letter of Intent** - On June 4, 2019, we executed a Letter of Intent with Rotor Riot, LLC. The LOI, which is non-binding, sets forth the terms for our contemplated acquisition of Rotor Riot, a drone technology and media company. Any acquisition of Rotor Riot will be subject to the completion of due diligence, the negotiation of a definitive agreement, and other conditions.

End of Financial Statements

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

The following discussion should be read in conjunction with our unaudited consolidated financial statements and related notes and other financial data included elsewhere in this 10-Q. See also: (i) the notes to our consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2018; and (ii) the audited financial statements and notes thereto for our recently-acquired operating subsidiary, Red Cat Propware, Inc., filed July 31, 2018 on Form 8-K/A. The Management's Discussion and Analysis contains forward-looking statements that involve risks and uncertainties, such as statements relating to our liquidity, and our plans in for our business focusing on cloud-based analytics, storage, and services for drones. Any statements that are not statements of historical fact are forward-looking statements. When used, the words "believe," "plan," "intend," "anticipate," "target," "estimate," "expect," and the like, and/or future-tense or conditional constructions ("will," "may," "could," "should," etc.), or similar expressions, identify certain of these forward-looking statements. These forward-looking statements are subject to risks and uncertainties that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements in this Report on Form 10-Q. The Company's actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of several factors. Investors should review the Risk Factors in the Company's Current Report on Form 8-K filed May 16, 2019. Except as required by U.S. securities laws, the Company does not undertake any obligation to update forward-looking statements to reflect events or circumstances occurring after the date of this Report on Form 10-Q.

### OVERVIEW

We are a Nevada corporation incorporated on April 10, 2002. Effective August 1, 2019, we changed our name to Red Cat Holdings, Inc. Until recently, our operations have focused on the bitcoin mining business. On May 15, 2019, however, we acquired Red Cat Propware, Inc. ("Red Cat"), a company offering secure, cloud-based analytics, storage, and services for drones. We are focusing primarily on the business of Red Cat going forward.

#### Acquisition of Red Cat Propware, Inc.

We acquired Red Cat under a Share Exchange Agreement (the "SEA") with Red Cat and each of the shareholders of Red Cat. Under the SEA, we acquired all of the issued and outstanding capital stock of Red Cat, in exchange for our issuance to the Red Cat shareholders of: (i) 236,000,000 shares of our common stock, and (ii) 2,169,068.0554 shares of our newly-designated Series A Preferred Stock. In total, the common stock and Series A Preferred Stock issued Red Cat Propware's shareholders under the SEA constituted approximately 83.33% of our issued an outstanding share capital on a fully-diluted basis.

With the exception of shares held by the President of Red Cat and our current CEO, Jeffrey Thompson, the convertibility of shares of Series A Preferred Stock is limited such that a holder of Series A Preferred Stock may not convert Series A Preferred Stock to our common stock to the extent that the number of shares of common stock to be issued pursuant to such conversion, when aggregated with all other shares of common stock owned by the holder at such time, would result in the holder beneficially owning (as determined in accordance with Section 13(d) of the Securities Exchange Act of 1934) more than 4.99% of all of our common stock outstanding. Effective August 1, 2019, we conducted a 1 for 1,200 reverse split of our common stock. The effectiveness of the reverse split resulted in the automatic conversion of all Series A Preferred Stock to common stock, with exception of certain Series A Preferred shares affected by the 4.99% conversion blocker. Following the reverse split, our remaining shares of Series A Preferred Stock are convertible to common stock at a ratio of approximately 8.33 shares of common stock for each share of Series A Preferred Stock.

#### Exchange Agreements with Holders of Series E Convertible Preferred Stock, Promissory Notes, Options, and Warrants

Immediately prior to the closing of the SEA, we entered into Securities Exchange Agreements (the “Exchange Agreements”) with each of the holders of our outstanding Series E Convertible Preferred Stock, Promissory Notes, Options, and Warrants (collectively, the “Exchange Securities”). The holders of the Exchange Securities were issued, in exchange for their Exchange Securities, a total of 4,212,645.28 shares of our newly-designated Series B Preferred Stock. In total, the Series B Preferred Stock issued under the Exchange Agreements constituted approximately 15.64% of our issued and outstanding share capital on a fully-diluted basis. Following the reverse split, our new Series B Preferred Stock is convertible to common stock at a ratio of approximately 0.833 shares of common stock for each share of Series B Preferred Stock. The convertibility of shares of Series B Preferred Stock is also limited such that a holder of Series B Preferred Stock may not convert Series B Preferred Stock to our common stock to the extent that the number of shares of common stock to be issued pursuant to such conversion, when aggregated with all other shares of common stock owned by the holder at such time, would result in the holder beneficially owning (as determined in accordance with Section 13(d) of the Securities Exchange Act of 1934) more than 4.99% of all of our common stock outstanding. Series B Preferred Stock does not have an automatic conversion feature.

#### Business of Red Cat Propware, Inc.

Through our recently-acquired operating subsidiary, Red Cat Propware, Inc., we are in the business of providing secure, cloud-based analytics, storage, and services for drones. Our primary product is Black Box by Red Cat. Black Box by Red Cat is a blockchain technology that records all information from a drone much like a traditional airliner black box. Red Cat sends the information directly to the cloud and clones the drone in real time. This information can then be viewed using Red Cat’s analytics platform with a secure login.

Effective August 6, 2019, our Board of Directors approved a change in our fiscal year end to April 30, which is the accounting year-end for our operating subsidiary Red Cat Propware, Inc. Following this Quarterly Report, an additional report on Form 10-Q will be filed covering the transition period.

#### **Results of Operations**

The following discussion analyzes our results of operations for the three and six months ended June 30, 2019. The following information should be considered together with our financial statements for such periods and the accompanying notes thereto.

We generated no revenues during the three and six months ended June 30, 2019, and have not generated revenue to date from our current operations. During the three months ended June 30, 2019, we incurred \$275,038 in total expenses from continuing operations, consisting of \$145,942 in research and development, \$95,570 in professional fees, \$29,950 in general and administrative expenses, and \$3,576 in payroll expenses. By comparison, during the three months ended June 30, 2018, we incurred \$137,466 in expenses from continuing operations, consisting of \$100,157 in research and development, \$5,585 in professional fees, \$1,168 in general and administrative expenses, and \$30,555 in payroll expenses. During the six months ended June 30, 2019, we incurred \$521,547 in total expenses from continuing operations, consisting of \$295,649 in research and development, \$168,465 in professional fees, \$47,618 in general and administrative expenses, and \$9,815 in payroll expenses. By comparison, during the six months ended June 30, 2018, we incurred \$158,770 in expenses from continuing operations, consisting of \$113,387 in research and development, \$7,994 in professional fees, \$1,230 in general and administrative expenses, and \$36,159 in payroll expenses.

Our expenses and our net loss for the three and six months ended June 30, 2019 are greater than those experienced during the same periods last year due to costs associated with Red Cat Propware becoming a public company through the SEA, and increased costs associated with the expansion of the company. As we continue to develop our business, we expect that costs and net losses will continue to increase until such time as we begin generating material revenue from sales of our is Black Box by Red Cat product.

#### **Liquidity and Capital Resources**

As of June 30, 2019, we had current assets in the amount of \$509,796, consisting of cash in the amount of \$389,664, prepaid expenses of \$89,470, a miscellaneous receivable in the amount of \$22,500, and cryptocurrencies valued at \$8,162. Our current liabilities as of June 30, 2019 totaled \$104,976, and consisted of accounts payable of \$60,926, accrued expenses of \$34,837, payroll liabilities of \$6,943, and capital to be returned in the amount of \$2,270. Our net working capital as of June 30, 2019 was \$404,820. During the six months ended June 30, 2019, our operations used \$507,889 in cash and financing activities provided \$686,500 in cash, resulting in a net increase of \$178,611 over the period.

We do not have any long term liabilities and, to date, the business of Red Cat has been funded through private offerings of common stock sourced primarily from individual private investors. We will require additional capital in order to execute on our business plan and begin generating net revenue from the Red Cat business. Until we are able to sustain our ongoing operations through sales revenue, we intend to fund operations through equity and/or debt financing arrangements, which may be insufficient to fund our capital expenditures, working capital, or other cash requirements. We do not have any formal commitments or arrangements for the sales of stock or the advancement or loan of funds at this time. There can be no assurance that such additional financing will be available to us on acceptable terms, or at all.

***Going Concern***

We have experienced losses from operations since inception. To date, the Red Cat business not been able to produce sales or to become cash flow positive and profitable. The success of our business plan during the next 12 months and beyond will be contingent upon generating sufficient revenue to cover our costs of operations and/or upon obtaining additional financing. For these reasons, our auditor has raised substantial doubt about our ability to continue as a going concern.

***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, on 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.

***Off-Balance Sheet Arrangements***

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to stockholders.

***Recently Issued Accounting Pronouncements***

The Company has implemented all new accounting pronouncements that are in effect. These pronouncements did not have any material impact on the financial statements unless otherwise disclosed, and the Company does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 (the "Exchange Act") and are not required to provide the information under this item.

### ITEM 4. CONTROLS AND PROCEDURES

#### *Evaluation of Disclosure Controls and Procedures*

Disclosure controls and procedures are controls and procedures that are designed to ensure that information required to be disclosed in our reports filed 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 our company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our management carried out an evaluation under the supervision and with the participation of our Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based upon that evaluation, our Principal Executive Officer and Principal Financial Officer have concluded that our disclosure controls and procedures were not effective as of June 30, 2019.

For the quarter ended June 30, 2019, we have identified the following material weaknesses in our internal controls over financial reporting:

- We did not maintain effective controls to identify and maintain segregation of duties in identifying, authorizing, approving, accounting for, and disclosing significant estimates, related-party transactions, significant unusual transactions, and other non-routine events and transactions. Specifically, one individual, our CEO, initiates non-routine transactions, reviews, evaluates, approves, and records non-routine transactions. In addition, this individual initiates journal entries, approves journal entries, and posts journal entries to the general ledger. There is no independent review of any financial duties performed by this individual.
- Our management and/or other suitably qualified personnel did not perform an independent review of the financial statements and all related disclosures for completeness, consistency, and compliance with GAAP and our accounting and disclosure policies. Specifically, one individual, our CEO, reviews and approves the financial statements (including disclosures).

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

#### *Changes in Internal Control over Financial Reporting*

Our management has also evaluated our internal control over financial reporting, and there have been no significant changes in our internal controls or in other factors that could significantly affect those controls subsequent to the date of our last evaluation.

The Company is not required by current SEC rules to include, and does not include, an auditor's attestation report. The Company's registered public accounting firm has not attested to Management's reports on the Company's internal control over financial reporting.

## **PART II - OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

From time to time, the Company may become subject to various legal proceedings that are incidental to the ordinary conduct of its business. Although the Company cannot accurately predict the amount of any liability that may ultimately arise with respect to any of these matters, it makes provision for potential liabilities when it deems them probable and reasonably estimable. These provisions are based on current information and legal advice and may be adjusted from time to time according to developments.

### **ITEM 1A. RISK FACTORS**

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information under this item. Please refer to our Current Report on Form 8-K filed May 16, 2019 for risk factors related to our current business.

### **ITEM 2. RECENT UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

We have previously disclosed all sales of securities without registration under the Securities Act of 1933.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

### **ITEM 4. MINE SAFETY DISCLOSURES**

N/A.

### **ITEM 5. OTHER INFORMATION**

None.

### **ITEM 6. EXHIBITS**

#### **EXHIBIT INDEX**

<b>Exhibit #</b>	<b>Exhibit Description</b>	<b>Incorporated by Reference</b>			<b>Filed or Furnished</b>
		<b>Form</b>	<b>Date</b>	<b>Number</b>	<b>Herewith</b>
31.1	Certification of Principal Executive Officer (302)				Filed
31.2	Certification of Principal Financial Officer (302)				Filed
32.1	Certification of Principal Executive and Principal Financial Officer (906)				Furnished*
101.INS	XBRL Instance Document				Filed
101.SCH	XBRL Taxonomy Extension Schema Document				Filed
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				Filed
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				Filed
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				Filed
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				Filed

\* This exhibit is being furnished rather than filed and shall not be deemed incorporated by reference into any filing, in accordance with Item 601 of Regulation S-K.

\*\* Certain schedules, appendices and exhibits to this agreement have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished supplementally to the Securities and Exchange Commission staff upon request.

Copies of this report (including the financial statements) and any of the exhibits referred to above will be furnished at no cost to our shareholders who make a written request to Red Cat Holdings, Inc., at the address on the cover page of this report, Attention: Corporate Secretary.



**SIGNATURES**

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, hereunto duly authorized, this 19th day of August, 2019.

TimefireVR Inc.

Signature

Title

/s/ Jeffrey Thompson  
Jeffrey Thompson

Chief Executive Officer, Chief Financial Officer, and Director

## CERTIFICATIONS

I, Jeffrey Thompson, certify that;

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2019 of Red Cat Holdings, Inc. (the “registrant”);
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 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 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 the 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: August 19, 2019

/s/ Jeffrey Thompson  
By: Jeffrey Thompson  
Title: Chief Executive Officer

## CERTIFICATIONS

I, Jeffrey Thompson, certify that;

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2019 of Red Cat Holdings, Inc. (the “registrant”);
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 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 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 the 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: August 19, 2019

/s/ Jeffrey Thompson

By: Jeffrey Thompson

Title: Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND  
CHIEF FINANCIAL OFFICER  
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 of Red Cat Holdings, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2019 filed with the Securities and Exchange Commission (the "Report"), I, Jeffrey Thompson, Chief Executive Officer and 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) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the consolidated financial condition of the Company as of the dates presented and the consolidated result of operations of the Company for the periods presented.

By: /s/ Jeffrey Thompson  
Name: Jeffrey Thompson  
Title: Principal Executive Officer and Principal Financial Officer  
Date: August 19, 2019

This certification has been furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.