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

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **January 23, 2020**

Red Cat Holdings, Inc.
(Exact name of registrant as specified in charter)

Nevada	**000-31587**	**86-0490034**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1607 Ponce de Leon Ave, Suite 407 San Juan, PR	**00909**
(Address of principal executive offices)	(Zip Code)

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

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4 (c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	N/A	N/A

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☐

EXPLANATORY NOTE

On January 29, 2020, Red Cat Holdings, Inc., a Nevada corporation, filed with the Securities and Exchange Commission a Current Report on Form 8-K (the "Form 8-K") to report the acquisition by the Company of Rotor Riot, LLC, an Ohio limited liability company, and related matters. This Amendment No. 1 on Form 8-K/A is being filed by the Company to amend and restate the original Form 8-K in its entirety, and to supplement the original Form 8-K to include the financial statements and pro forma information required by Item 9.01.

Item 1.01 Entry into a Material Definitive Agreement.

As previously reported, on December 31, 2019, Red Cat Holdings, Inc., a Nevada corporation (the "Company"), entered into an Agreement of Merger (the "Merger Agreement") with Rotor Riot Acquisition Corp., a wholly owned Ohio subsidiary of the Company (the "Ohio Acquisition Sub"), Rotor Riot, LLC, an Ohio limited liability company ("Rotor Riot"), and the three members of Rotor Riot (the "Members"). Pursuant to the terms of the Merger Agreement, upon consummation of the merger contemplated by the Merger Agreement (the "Merger"), the Ohio Acquisition Sub would merge with and into Rotor Riot, with Rotor Riot continuing as the surviving entity and a wholly owned subsidiary of the Company. At the effective time of the Merger, the issued and outstanding membership interests of Rotor Riot held by the Members, which represented 100% of Rotor Riot's issued and outstanding membership interests, would be converted into shares of common stock of the Company. In accordance with its terms, the Merger Agreement would terminate if a closing did not occur on or before January 14, 2020 (the "Termination Date"), unless such Termination Date was extended by mutual consent of the parties.

On January 14, 2020, the parties to the Merger Agreement entered into a first amendment to the Merger Agreement (the "First Amendment"), pursuant to which the Termination Date for the Merger was extended to January 17, 2020.

On January 22, 2020, the parties to the Merger Agreement entered into a second amendment to the Merger Agreement (the "Second Amendment"), joined in by Rotor Riot Acquisition Corp., a newly formed, wholly owned Delaware subsidiary of the Company (the "Delaware Acquisition Sub"). Pursuant to the terms of the Second Amendment, (a) the Delaware Acquisition Sub replaced the Ohio Acquisition Sub as the acquisition subsidiary to merge with and into Rotor Riot in connection with the Merger, and (b) the Termination Date for the Merger was further extended to January 24, 2020.

The Merger was consummated as of January 23, 2020 (the "Effective Date"), as further described in Item 2.01 below. At the closing of the Merger, the Company entered into a Make Whole Agreement (the "Make Whole Agreement") with Rotor Riot, Brains Riding in Tanks, LLC, an Ohio limited liability company and the majority owner of Rotor Riot ("BRIT"), and Chad Kapper, the Chief Executive Officer and Manager of Rotor Riot, and the Chief Executive Officer and beneficial owner of 100% of the membership interests of BRIT ("Kapper"), pursuant to which the Company agreed to pay all obligations of Rotor Riot, which were approximately $915,563 as of the Effective Date. This included the issuance to BRIT of a promissory note (the "BRIT Promissory Note"), as of the Effective Date, in the principal amount of $175,000 (the "Principal Amount"), at an interest rate of 4.75% per annum ("Interest"), with $3,500 of the Principal Amount to be paid monthly, and the remaining Principal Amount and any accrued and unpaid Interest to be paid on the earlier of (A) twelve months from the date of issuance, and (B) the closing of an equity offering by the Company of no less than $3,000,000.

The foregoing summaries of the Merger Agreement, the First Amendment, the Second Amendment, the Make Whole Agreement and the BRIT Promissory Note, do not purport to be complete and are qualified in their entirety by reference to the complete text of the Merger Agreement, the First Amendment, the Second Amendment, the Make Whole Agreement and the BRIT Promissory Note, copies of which are filed as Exhibits 10.1, 10.2, 10.3, 10.4 and 4.1 to this Current Report on Form 8-K (this "Report"), respectively, and incorporated herein by reference.

Item 2.01 Completion of Acquisition or Disposition of Assets.

Reference is made to the disclosure set forth under Item 1.01 above, which disclosure is incorporated herein by reference.

On January 23, 2020, the Effective Date, pursuant to the terms of the Merger Agreement, as amended, the Delaware Acquisition Sub merged with and into Rotor Riot. Rotor Riot was the surviving corporation in the Merger and, as a result of the Merger, became a wholly owned subsidiary of the Company.

Rotor Riot sells products and services in the drone marketplace, primarily focused on FPV (First Person View), including unmanned aircraft systems, components, and accessories.

In accordance with the terms of the Merger Agreement, at the closing of the Merger, each Member of Rotor Riot was to receive its pro rata portion of the total number of shares of the Company's common stock issued based on: (A)(i) the purchase price of $3,700,000, minus, (ii) the aggregate amount of debt and other payables of Rotor Riot, including those of BRIT and Kapper, divided by (B) the volume weighted average price ("VWAP") of the Company's common stock for the twenty trading days prior to the closing date of the Merger. As of the Effective Date, the aggregate amount of debt and other payables of Rotor Riot was approximately $915,563, and the VWAP of the Company's common stock for the twenty trading days prior to the Effective Date was $1.25445 per share. As a result, the Company issued an aggregate of 2,219,650 shares of its common stock (the "Shares") to the Members of Rotor Riot.

Pursuant to the terms of the Make Whole Agreement, as of the Effective Date, the Company agreed to pay all obligations of Rotor Riot, including those of BRIT and Kapper, in the aggregate amount of approximately $915,563. This included the issuance to BRIT of the BRIT Promissory Note, in the principal amount of $175,000.

The Merger Agreement, as amended, contained customary representations and warranties and pre- and post-closing covenants of each party and customary closing conditions. Breaches of the representations and warranties are subject to indemnification provisions.

Immediately following the Merger, the Company had 19,148,698 shares of common stock issued and outstanding. In connection with the Merger, BRIT, received 1,997,684 of the Shares, which represented approximately 10.4% of the Company following the consummation of the Merger.

The Merger was intended to be treated as a tax-free reorganization under Section 368(a) of the Internal Revenue Code of 1986, as amended.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

Reference is made to the disclosure set forth under Items 1.01 and 2.01 above, which disclosure is incorporated herein by reference.

In connection with the Merger, the Company entered into the Make Whole Agreement with Rotor Riot, BRIT, and Chad Kapper, pursuant to which the Company agreed to pay all obligations of Rotor Riot, including those of BRIT and Kapper, which were approximately $915,563 as of the Effective Date. This included the issuance to BRIT of the BRIT Promissory Note in the Principal Amount of $175,000, at an Interest rate of 4.75% per annum, with $3,500 of the Principal Amount to be paid monthly, and the remaining Principal Amount and any accrued and unpaid Interest to be paid on the earlier of (A) twelve months from the date of issuance, and (B) the closing of an equity offering by the Company of no less than $3,000,000.

Item 3.02 Unregistered Sales of Equity Securities.

Issuance of the Shares in Connection with the Merger

Reference is made to the disclosure set forth under Items 1.01 and 2.01 above, which disclosure is incorporated herein by reference.

In connection with the Merger, as further described in Item 2.01 above, the Company issued an aggregate of 2,219,650 shares of its common stock to the Members of Rotor Riot, on a pro rata basis, based on their percentage ownership of membership interests of Rotor Riot.

The issuances of the Shares in connection with the Merger were exempt from registration under Section 4(a)(2) and/or Rule 506(b) of Regulation D as promulgated by the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "Securities Act"), as transactions by an issuer not involving any public offering.

Grant of the Hernon Stock Options

Reference is made to the disclosure set forth under Item 5.02 below, which disclosure is incorporated herein by reference.

In connection with the appointment of Joseph Hernon as the Company's Chief Financial Officer, Secretary and Treasurer on January 23, 2020, as further described in Item 5.02 below, the Company granted Mr. Hernon 10-year stock options to purchase 1,100,000 shares of the Company's common stock (the "Hernon Stock Options") under the Company's 2019 Equity Incentive Plan (the "2019 Plan"). The Hernon Stock Options, which are exercisable at a per share exercise price of $0.821, the closing sale price of the Company's common stock on the OTC Market Group's OTC Pink marketplace on the date of grant, will vest on a ratable basis quarterly over a three year period.

The issuance of the Hernon Stock Options in connection with the appointment of Joseph Hernon as the Company's Chief Financial Officer, Treasurer and Secretary was exempt from registration under Section 4(a)(2) of the Securities Act as a transaction by an issuer not involving a public offering.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On January 23, 2020, Joseph Hernon was appointed as the Company's Chief Financial Officer, Secretary and Treasurer, to serve in such offices at the pleasure of the Company's board of directors (the "Board"), and until his successor has been appointed by the Board. Prior to Mr. Hernon's appointment, Jeffrey Thompson, the Company's President and Chief Executive Officer, and a member of the Company's Board, had served as Interim Chief Financial Officer (since May 31, 2019) and Secretary (since May 15, 2019). In connection with his appointment as Chief Financial Officer, Mr. Hernon also replaced Mr. Thompson as the Company's Principal Financial and Accounting Officer for SEC reporting purposes.

Mr. Hernon, 60, has gained extensive experience in financial services over the course of his 30-year career. From May 2016 through the date of his appointment as the Company's Chief Financial Officer, Secretary and Treasurer, Mr. Hernon was a financial consultant to various private companies. Prior to that, Mr. Hernon was the Chief Financial Officer for three public companies, including, most recently, Towerstream Corporation from May 2008 through May 2016. Earlier in his career, Mr. Hernon was employed for almost 10 years by PricewaterhouseCoopers in its audit practice and was a Senior Business Assurance Manager during his last five years with the firm. Mr. Hernon is a certified public accountant and earned a Master's degree in Accountancy from Bentley University in 1986.

In connection with his appointment as Chief Financial Officer, Secretary and Treasurer, the Company granted Mr. Hernon the Hernon Stock Options under the 2019 Plan. The Hernon Stock Options, which are exercisable at a per share exercise price of $0.821, the closing sale price of the Company's common stock on the OTC Market Group's OTC Pink marketplace on the date of grant, will vest on a ratable basis quarterly over a three year period.

Mr. Hernon's initial compensation shall be $120,000 annually and he will be eligible to participate in bonus and benefit programs, if and when implemented.

Except as otherwise disclosed in this Report, there are no arrangements or understandings between Mr. Hernon and any other person pursuant to which he was appointed as an officer of the Company. In addition, there are no family relationships between Mr. Hernon and any of the Company's other officers or directors. Further, except as otherwise disclosed in this Report, there are no transactions since the beginning of our last fiscal year, or any currently proposed transaction, in which the Company is a participant, the amount involved exceeds $120,000, and in which Mr. Hernon had, or will have, a direct or indirect material interest.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired.

In accordance with Item 9.01(a), the audited financial statements for Rotor Riot, LLC as of December 31, 2019 and 2018, and for the years then ended are filed with this Report as Exhibit 99.1.

(b) Pro Forma Financial Information.

In accordance with Item 9.01(b), the Company's pro forma unaudited combined statements of operations for the fiscal year ended April 30, 2019 and for the nine months ended January 31, 2020 are filed with this Report as Exhibit 99.3.

(d) Exhibits.

Exhibit No.	Description
4.1	Promissory Note, dated January 23, 2020
10.1	Agreement of Merger, dated December 31, 2019
10.2	Amendment No. 1 to Agreement of Merger, dated January 14, 2020
10.3	Amendment No. 2 to Agreement of Merger, dated January 22, 2020
10.4	Make Whole Agreement, dated January 23, 2020
99.1	Audited Financial Statements for Rotor Riot, LLC as of December 31, 2019 and 2018, and for the years then ended.
99.2	Pro forma unaudited combined statements of operations for the fiscal year ended April 30, 2019 and for the nine months ended January 31, 2020

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.

Date: April 9, 2020

RED CAT HOLDINGS, INC.

By: */s/ Jeffrey Thompson*
Jeffrey Thompson
President and Chief Executive Officer

Exhibit 99.1

Independent Auditor's Report

April 7, 2020

To the shareholders and the board of directors of Rotor Riot, LLC

Report on the Financial Statements

We have audited the accompanying financial statements of Rotor Riot, LLC which comprise the Balance sheets as of December 31, 2019 and 2018, and the related Statement of Operations, Statement of Stockholders' equity (deficit) and cash flows for the years then ended and the related notes to the financial statements.

Going Concern Uncertainty

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company's lack of liquidity and operating losses raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examination, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rotor Riot, LLC as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

B F Borgers CPA PC

Certified Public Accountants
Lakewood, Colorado

Rotor Riot, LLC
Balance Sheets

	December 31, 2019	December 31, 2018
ASSETS		
Current Assets		
Cash	$ 33,511	$ —
Accounts receivable	28,500	—
Total Current Assets	62,011	—
Inventory	159,057	—
Other assets	3,853	1,000
Fixed assets, net	—	12,500
Intangible assets, net	102,500	102,500
TOTAL ASSETS	$ 327,421	$ 116,000
LIABILITIES AND MEMBERS' EQUITY		
Current Liabilities		
Accounts payable	$ 108,813	$ —
Accrued Expenses	34,445	—
Sales taxes payable	11,563	—
Due to BRIT LLC	175,000	200,000
Note payable - PayPal	87,297	
Note payable - Flite Test	—	150,000
Note payable - Shopify Capital	79,260	—
Note payable - Race Day Quads	67,223	—
Total Current Liabilities	563,601	350,000
Commitments and contingencies		
Members' Equity		
Cumulative contributions	151,000	1,000
Cumulative earnings	13,143	102,793
Cumulative distributions	(400,323)	(337,793)
Total Members' Equity	(236,180)	(234,000)
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 327,421	$ 116,000

See accompanying notes.

ROTOR RIOT, LLC
Statements of Operations

	Year ended December 31,	
	2019	2018
Revenues	$ 1,897,352	$ 150,410
Cost of Revenues	1,388,291	—
Gross Margin	509,061	150,410
Expenses		
Sales and marketing	62,980	—
General and administrative	535,731	112,500
Total expenses	598,711	112,500
Net income (loss) before income taxes	(89,650)	37,910
Provision for income taxes	—	—
Net Loss	$ (89,650)	$ 37,910

See accompanying notes.

ROTOR RIOT, LLC
Statements of Members' Equity

	Cumulative Contributions	Cumulative Earnings	Cumulative Distributions	Total Members' Equity
Balances, January 1, 2018	$ 1,000	$ 64,883	$ (187,383)	$ (121,500)
Net income		37,910	—	37,910
Distributions			(150,410)	(150,410)
Balances, December 31, 2018	**$ 1,000**	**$ 102,793**	**$ (337,793)**	**$ (234,000)**
Contributions	150,000	—		$ 150,000
Net income		(89,650)	—	(89,650)
Distributions			(62,530)	(62,530)
Balances, December 31, 2019	**$ 151,000**	**$ 13,143**	**$ (400,323)**	**$ (236,180)**

See accompanying notes.

Rotor Riot, LLC
Statements of Cash Flows

	Years ended December 31,	
	2019	2018
Cash Flows from Operating Activities		
Net income (loss)	$ (89,650)	$ 37,910
Depreciation	$ 12,500	$ 12,500
Changes in operating assets and liabilities		
Accounts receivable	(28,500)	
Inventory	(159,057)	—
Other assets	(3,853)	
Accounts payable	108,813	—
Accrued expense	34,445	—
Sales taxes payable	11,563	—
Net cash provided by (used in) operating activities	(113,739)	50,410
Net cash provided by investing activities	—	—
Cash Flows from Financing Activities		
Payable to BRIT, LLC	(25,000)	100,000
Proceeds from notes payable	342,141	
Payments on notes payable	(258,361)	
Capital contributions	151,000	
Distributions	(62,530)	(150,410)
Net cash provided by (used in) financing activities	147,250	(50,410)
Net increase in cash	33,511	—
Cash, beginning of period	—	—
Cash, end of period	$ 33,511	$ —
Cash paid for interest and taxes	$ —	$ —
Noncash		

See accompanying notes.

Rotor Riot, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

Note 1 - The Business

Rotor Riot, LLC (the "Company") was originally incorporated in December 2016. Until March 2019, the Company was primarily a licensor of certain technology that it acquired in December 2016 (see "Asset Purchase Agreement" below). In March 2019, the Company terminated the license agreement (see "License Agreement" below) and began selling commercial products in the drone marketplace, primarily focused on FPV (first person view). The Company primarily sells its products through an e-commerce site located at www.rotorriot.com.

Asset Purchase Agreement

In December 2016, the Company entered into an Asset Purchase Agreement with Flite Test, LLC under which it purchased the Rotor Riot trademark (the "Mark"), as well as various video content and products related to and/or bearing the Mark, including unmanned aircraft systems, components and accessories. The purchase price was $150,000, payable in the form of a non-interest bearing promissory note payable in full on December 31, 2021. The parties to the Asset Purchase Agreement agreed to the following allocation of the purchase price:

$	20,000	Trademark
$	16,000	Computer equipment
$	11,500	Office furniture and equipment
$	10,000	Video production equipment
$	10,000	Inventory
$	67,500	Tangible assets acquired
$	82,500	Goodwill
$	150,000	Total purchase price

License Agreement

In December 2016, the Company entered into a License Agreement under which it granted Flite Test, LLC an exclusive right to manufacture and sell products bearing the Rotor Riot trademark and to utilize the e-commerce platform located at www.rotorriot.com. The exclusivity period expired on the earlier of December 31, 2019 or the date on which the Promissory Note was paid in full. As consideration for the license granted, Flite Test agreed to pay royalties equal to 10% of net sales, payable upon collection of such sales. Royalties earned under the License Agreement totaled $150,410 in 2018. Royalties in 2019 totaled $24,031 before the Promissory Note was paid in full and this license agreement was terminated in March 2019.

Note 2 - Going Concern

The 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. Management recognizes that we have a limited operating history and that our financial position raises substantial doubt about our ability to continue as a going concern. The financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts and the classification of liabilities that might be necessary should we be unable to continue as a going concern.

We are presently seeking to address these going concern doubts through a number of actions including efforts to (a) raise capital through the public markets, (b) release additional commercial products and (c) pursue acquisitions of complementary, revenue generating companies which are accretive to our operating results. We can provide no assurance that any of these efforts will be successful or, that even if successful, that they will alleviate doubts about our ability to continue as a going concern.

Note 3 - Summary of Significant Accounting Policies

Basis of Accounting - The financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles ("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, 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 associated with the allocation of the purchase price under the Asset Purchase Agreement.

Revenue Recognition – The Company recognizes revenue in accordance with ASC 606, "Revenue from Contracts with Customers", issued by the Financial Accounting Standards Board ("FASB"). 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 if there are multiple components to the performance obligation, and (v) recognizing revenue as each obligation is satisfied. The Company's revenue transactions include a single component, specifically, the shipment of goods to customers as orders are received. Customers pay at the time they order and the Company recognizes revenue upon shipment which occurs quickly after the order is received.

Goodwill – Goodwill represents the excess of the purchase price of an acquisition over the estimated fair value of identifiable net assets acquired. The measurement periods for the valuation of assets acquired and liabilities assumed ends as soon as information on the facts and circumstances that existed as of the acquisition date becomes known, not to exceed 12 months. Adjustments in a purchase price allocation may require a change in the amounts allocated to goodwill during the periods in which the adjustments are determined.

We plan to perform an impairment test at the end of each fiscal year, or more frequently if indications of impairment arise. We have a single reporting unit, and consequently, evaluate goodwill for impairment based on an evaluation of the fair value of the Company as a whole.

Income Taxes – The Company elected to be treated as a disregarded entity for tax purposes for 2019 and 2018, resulting in any taxable income or loss being reported on the members' personal return. As a result, there is no income tax provision or benefit, or any current or deferred tax assets or liabilities, reflected in these financial statements.

Recent Accounting Pronouncements - Management does not believe that recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on these financial statements.

Comprehensive Loss –During the years ended December 31, 2019 and 2018, there were no differences between net income (loss) and comprehensive income (loss). Therefore, the consolidated statements of comprehensive loss have been omitted.

Related Parties – Parties are considered to be related if they have control or significant influence, directly or indirectly, over us, including key management personnel and members of the Board of Directors. Related Party transactions are disclosed in Note 10.

Note 4 – Fixed Assets

In connection with the Asset Purchase Agreement described in Note 1, the Company acquired $37,500 of fixed assets which were fully depreciated over a three year period ending on December 31, 2019.

Note 5 – Intangible Assets

In connection with the Asset Purchase Agreement described in Note 1, the Company recognized intangible assets associated with Trademarks for $20,000 and Goodwill for $82,500.

Note 6 – Payable to BRIT

Since inception, the Company has received certain operating support services from BRIT (Brains Riding in Tanks) which is the primary Member of the Company. Such services have been recognized as Management Fees and totaled $250,000 and $100,000 in 2019 and 2018, respectively. Balances owed at December 31, 2019 and 2018 totaled $175,000 and $200,000, respectively.

Note 7 – Note Payable to PayPal

In November 2019, the Company entered into an agreement with PayPal under which it borrowed $100,000. PayPal is an electronic commerce company that facilitates payments between parties through online funds transfers. The Company processes certain customer payments ordered on its e-commerce site through PayPal. The note is being repaid through 52 weekly payments of $2,056 ending in November 2020, resulting in an effective interest rate of 16%. The balance outstanding at December 31, 2019 totaled $87,297.

Note 8 – Note Payable to Shopify Capital

In August 2019, the Company entered into an agreement with Shopify Capital, an affiliate of Shopify, under which it sold $176,000 of "Purchased Receivables" for total consideration of $160,000. The discounted value of $16,000 was recorded as a financial transaction charge. Shopify will deduct 14% of daily receipts processed through its e-commerce site until a total of $176,000 has been deducted. The balance outstanding at December 31, 2019 totaled $79,260.

Note 9 – Note Payable to Race Day Quads

During 2019, the Company purchased inventory from Race Day Quads ("RDQ"), an online retailer of drone racing parts**.** The owner of Race Day Quads acquired a Membership Interest in the Company in March 2019. In October 2019, RDQ agreed to allow the Company to pay for $82,141 of inventory purchases on an installment basis through June 2020. The balance owed at December 31, 2019 totaled $67,223.

Note 10 – Related Party Transactions

As further described in Note 9, a Member of the Company owns Race Day Quads which sold drone inventory and parts to the Company in 2019. The Company owed $67,223 to Race Day Quads at December 31, 2019.

Management fees represent payments to Brains Riding in Tanks, LLC (or "BRIT") which holds a majority interest in the Company. The management fees were primarily related to employees of BRIT who worked on behalf of BRIT, management services provided by the founder and majority owner of Rotor Riot, and sole owner of BRIT, who has been actively involved in the management of Rotor Riot since its inception, and other sundry costs paid and services provided by BRIT.

Note 11 – Commitments and Contingencies

In February 2019, the Company entered into a lease agreement for commercial space in Orlando, Florida which includes offices and a warehouse. The term of the lease is for 3 years. Future lease obligations at December 31, 2019 were as follows:

2020	$	50,061
2021		51,127
2022		4,268

$	105,456

Note 12 - Subsequent Events

In December 2019, the Company entered into an Agreement of Merger (the "Merger Agreement") with Red Cat Holdings, Inc. ("Red Cat"), under which 100% of the Company's outstanding membership interests will be converted into shares of common stock of Red Cat. At the closing of the Merger, each Member will receive its pro rata portion of the total number of shares of Rotor Riot's common stock to be issued calculated by dividing (A) $3,700,000 minus the aggregate amount of certain debt and other payables of the Company, BRIT, and the sole owner of BRIT, collectively the "Financial Obligations". The number of shares to be issued will be based upon the VWAP (volume weighted average price) of the Company's common stock for the twenty trading days prior to the closing date.

In January 2020, the Merger Agreement closed, resulting in the issuance of 2,219,650 shares of common stock of Red Cat to the Members of Rotor Riot. In addition, Red Cat assumed $915,563 of Financial Obligations. Such obligations include the issuance of a promissory note to BRIT in the amount of $175,000. The promissory note shall be due on the earlier of (i) six months from the date of issuance or (ii) the closing of an equity offering by Red Cat totaling at least $3,000,000. Interest shall accrue at 4.75% annually. The Company settled $185,000 of the Financial Obligations through the issuance of options to purchase 147,475 shares of the Company's common stock at an exercise price of $0.82 per share.

Concurrently with the closing, the principal member of Rotor Riot agreed to assign his 100% ownership rights in Kwad Box to Red Cat. Kwad Box is a provider of drone related equipment, parts, and other items which are provided to subscribers on a monthly basis.

Exhibit 99.2

Red Cat Holdings, Inc.
Statements of Operations
Nine months ended January 31, 2020
(Unaudited)

	Red Cat	Rotor Riot	Adjustments	Pro-Forma
Revenues	$ 34,538	$ 1,476,417		$ 1,510,955
Cost of Revenues	$ 16,234	$ 1,162,948		$ 1,179,182
Gross Margin	$ 18,304	$ 313,469		$ 331,773
Expenses				
Sales and marketing	$ 400,884	$ 62,736		$ 463,620
General and administrative	$ 593,662	$ 375,774		$ 969,436
Total expenses	$ 994,546	$ 438,510		$ 1,433,056
Net income (loss) before income taxes	$ (976,242)	$ (125,041)		$ (1,101,283)
Provision for income taxes	$ —	$ —		$ —
Net Loss	$ (976,242)	$ (125,041)		$ (1,101,283)

See accompanying notes.

Red Cat Holdings, Inc.
Statements of Operations
Year ended April 30, 2019
(Unaudited)

	Red Cat	Rotor Riot	Adjustments	Pro-Forma
Revenues	$ —	$ 570,495		$ 570,495
Cost of Revenues	$ —	$ 225,342		$ 225,342
Gross Margin	$ —	$ 345,153		$ 345,153
Expenses				
Research and development	$ 307,772	$		$ 307,772
General and administrative	$ 443,560	$ 277,243		$ 720,803
Total expenses	$ 751,332	$ 277,243	—	$ 1,028,575
Net income (loss) before income taxes	$ (751,332)	$ 67,910		$ (683,422)
Provision for income taxes	$ —	$ —		$ —
Net Loss	$ (751,332)	$ 67,910		$ (683,422)

See accompanying notes.

Red Cat Holdings, Inc.

Notes to the Unaudited Pro Forma Combined Statements of Operations

On December 31, 2019, Red Cat Holdings, Inc. (the "Company" or "Red Cat") and Rotor Riot, LLC entered into an agreement of merger (the "Merger"). On January 23, 2020, the Merger was consummated under which Rotor Riot became a wholly owned subsidiary of the Company.

I. Basis of Pro Forma Presentation

The unaudited pro forma condensed combined statements of operations of Red Cat and Rotor Riot have been derived from the historical accounting records of each entity. The historical financial information has been evaluated to determine whether there should be any pro-forma adjustments recorded to reflect events that are directly attributable to the Merger, factually supportable, and expected to have a continuing effect on the Company's results of operations. The pro forma statements of operations present the Merger as if it had been consummated as of May 1, 2018, as required under Article 11 of Regulation S-X.

The unaudited pro forma combined financial information is for illustrative purposes only. The combined company may have reported different operating results if they had actually been combined for the periods presented. These pro forma condensed combined financial statements should not be relied upon as being indicative of the historical results that would have been achieved had the companies always been combined or the future results that the combined companies may realize after the merger. The unaudited pro forma combined statements of operations should be read in conjunction with the accompanying historical financial statements of Rotor Riot included elsewhere in this report.

II. Accounting Periods Presented

The unaudited pro forma combined statements of operations are being reported based on the April 30 fiscal year end of Red Cat, and include the statement of operations for the fiscal year ended April 30, 2019 and the statement of operations for the nine months ended January 31, 2020. The statements of operations being reported for Rotor Riot are based on these reporting periods. The unaudited pro forma combined statements of operations are presented as if the merger had taken place on May 1, 2018.