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 October 31, 2020

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: 000-31587

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

Nevada	86-0490034
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

607 Ponce de Leon Ave, Suite 407 San Juan, PR	85251
(Address of principal executive offices)	(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)

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	Not applicable	None

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 ☑

As of December 18, 2020, there were 20,721,535 shares of the registrant's common stock outstanding.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

RED CAT HOLDINGS, INC.
Consolidated Balance Sheets

	October 31, 2020	April 30, 2020
ASSETS		
Current Assets		
Cash	$ 480,065	$ 236,668
Inventory	170,486	78,650
Other	—	3,020
Total Current Assets	650,551	318,338
Goodwill	2,466,073	2,466,073
Trademark	20,000	20,000
Other	3,853	3,853
TOTAL ASSETS	**3,140,477**	**$ 2,808,264**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	355,092	249,050
Accrued Expenses	71,465	89,342
Notes Payable	354,527	118,771
Due to Related Party	329,777	333,684
Customer deposits	66,205	38,419
Derivative liability	812,390	—
Total Current Liabilities	1,989,456	829,266
Convertible debentures, net of discount of $581,599	18,401	450,000
Commitments and contingencies		
Stockholders' Equity		
Series A Preferred Stock - shares authorized 2,200,000; outstanding 208,704	2,087	2,087
Series B Preferred Stock - shares authorized 4,300,000; outstanding 3,681,623	36,816	36,816
Common stock - shares authorized 500,000,000; outstanding 20,721,535 and 20,011,091	20,722	20,011
Additional paid-in capital	4,752,273	4,043,837
Accumulated deficit	(3,679,278)	(2,573,753)
Total Stockholders' Equity	1,132,620	1,528,998
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 3,140,477**	**$ 2,808,264**

See accompanying notes.

RED CAT HOLDINGS, INC.
Consolidated Statements Of Operations

	Three months ended October 31,		Six months ended October 31,	
	2020	2019	2020	2019
Revenues	$ 427,807	$ —	$ 976,089	$ —
Cost of goods sold	328,756	—	774,888	—
Gross Margin	99,051	—	201,201	—
Operating Expenses				
Operations	122,697	—	211,730	—
Research and development	96,559	76,724	193,814	262,419
Sales and marketing	24,679	—	48,815	—
General and administrative	345,007	139,397	619,977	275,204
Total operating expenses	588,942	216,121	1,074,336	537,623
Operating loss	(489,891)	(216,121)	(873,135)	(537,623)
Other expense				
Derivative expense	148,587	—	148,587	—
Change in fair value of derivative	83,803	—	83,803	—
Provision for income taxes	$ —	$ —	$ —	$ —
Other expense	**$ 232,390**	**$ —**	**$ 232,390**	**$ —**
Net loss	**$ (722,281)**	**$ (216,121)**	**$ (1,105,525)**	**$ (537,623)**
Loss per share - basic and diluted	**$ 0.04**	**$ 0.01**	**$ 0.05**	**$ 0.06**
Weighted average shares outstanding - basic and diluted	**20,241,390**	**16,929,048**	**20,126,241**	**8,644,382**

RED CAT HOLDINGS, INC.
Consolidated Statements of Changes in Stockholders' Equity

	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Equity
	Shares	Amount	Shares	Amount	Shares	Amount			
Balances, April 30, 2019	—	—	—	—	**$ 179,292**	**$ 179**	**$ 784,371**	**$ (971,822)**	**$ (187,272)**
Issuance of common stock					15,355	15	684,685		684,699
Share Exchange Agreement	2,169,068	21,691	4,212,645	42,126	196,667	197	53,740		117,754
Conversion of Preferred Stock	(1,960,364)	(19,604)	(240,000)	(2,400)	16,536,164	16,536	5,467		—
Shares Issued for Services					1,570	2	69,998		70,000
Net Loss								(321,502)	(321,502)
Balances, July 31, 2019	**208,704**	**2,087**	**3,972,645**	**39,726**	**16,929,048**	**16,929**	**1,598,261**	**(1,293,324)**	**363,679**
Stock based compensation							12,067		12,067
Net Loss								(216,121)	(216,121)
Balances, October 31, 2019	**208,704**	**2,087**	**3,972,645**	**39,726**	**16,929,048**	**16,929**	**1,610,328**	**(1,509,445)**	**159,625**
Balances, April 30, 2020	**208,704**	**2,087**	**3,681,623**	**36,816**	**20,011,091**	**20,011**	**4,043,837**	**(2,573,753)**	**1,528,998**
Stock based compensation							107,061		107,061
Net Loss								(383,244)	(383,244)
Balances, July 31, 2020	**208,704**	**2,087**	**3,681,623**	**36,816**	**20,011,091**	**20,011**	**4,150,898**	**(2,956,997)**	**1,252,815**
Conversion of Debt					710,444	711	494,314		495,025
Stock based compensation							107,061		107,061
Net Loss								(722,281)	(722,281)

Balances, October 31, 2020	**$ 208,704**	**$ 2,087**	**$ 3,681,623**	**$ 36,816**	**$ 20,721,535**	**$ 20,722**	**$ 4,752,273**	**$ (3,679,278)**	**$ 1,132,620**

RED CAT HOLDINGS, INC.
Consolidated Statements of Cash Flows

	Six months ended October 31,	
	2020	**2019**
Cash Flows from Operating Activities		
Net loss	$ (1,105,525)	$ (537,623)
Stock based compensation	214,122	12,067
Amortization of debt discount	18,401	—
Derivative expense	148,587	—
Change in fair value of derivative	83,803	—
Adjustments to reconcile net loss to net cash from operations:		
Changes in operating assets and liabilities		
Prepaid expenses	—	75,000
Inventory	(91,836)	—
Other current assets	3,020	—
Customer deposits	27,786	—
Accounts payable	106,042	40,001
Accrued expense	27,148	(5,293)
Net cash used in operating activities	(568,452)	(415,848)
Cash Flows from Investing Activities		
Acquired through acquisitions	—	24,704
Net cash provided by investing activities	—	24,704
Cash Flows from Financing Activities		
Payments under related party obligations	(3,907)	—
Proceeds from notes payable	419,050	—
Payments under notes payable	(183,294)	—
Proceeds from convertible debentures	580,000	—
Common stock to be issued	—	152,239
Net cash provided by financing activities	811,849	152,239
Net use of Cash	243,397	(238,905)
Cash, beginning of period	236,668	503,438
Cash, end of period	**480,065**	**264,533**
Cash paid for interest and taxes	—	—
Noncash transactions		
Common stock issued for services	—	$ 70,000
Fair value of shares exchanged in acquisitions	—	$ 117,754
Conversion of Notes into common stock	$ 450,000	—
Conversion of accrued interest into common stock	$ 45,024	—

See accompanying notes.

RED CAT HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
October 31, 2020 and 2019
(unaudited)

Our unaudited interim condensed consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In the opinion of management, the unaudited interim condensed consolidated financial statements reflect all adjustments of a normal recurring nature that are necessary for a fair presentation of the results for the interim periods presented. Interim results are not necessarily indicative of results for a full year. The information included in this Form 10-Q should be read in conjunction with the financial information included in the Annual Report on Form 10-K for the fiscal year ended April 30, 2020 of Red Cat Holdings, Inc. (the "Company"), filed with the Securities and Exchange Commission ("SEC") on August 13, 2020.

Note 1 - The Business

The Company was originally incorporated in February 1984. The Company's primary business is to provide products, services and solutions to the drone industry. It operates in two sectors of the drone industry. Rotor Riot, LLC, an Ohio limited liability company and a wholly owned subsidiary ("Rotor Riot"), designs and sells drones and related components. Rotor Riot is focused on the consumer market and sells its products through its e-commerce platform operated at www.rotorriot.com. The Company is also developing software solutions to provide secure cloud-based analytics, storage and services for the drone industry. Its initial product candidate is Dronebox, a blockchain technology that records, stores and analyzes flight data and information from a drone, much like the "black box" utilized by the airline industry. The Company plans to offer Dronebox as a Software-as-a-Service platform.

The Company closed the acquisition of Fat Shark Holdings ("Fat Shark") on November 6, 2020. Fat Shark is a leading provider of headsets and goggles for professional FPV

(First Person View) racers and drone pilots and has an estimated 85% share of its market. The Company expects that Fat Shark will generate a majority of its revenue over the next 12 months. This acquisition continues the Company's efforts to become a fully-integrated drone business with a strong supply chain, as well as a provider of software solutions for the drone industry.

Recent corporate developments include:

A. 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) 196,667 shares of our common stock, (ii) 2,169,068 shares of our newly-designated Series A Preferred Stock, and (iii) 4,212,645 shares of our newly-designated Series B Preferred Stock. In total, the common stock, Series A Preferred Stock, and Series B Preferred Stock issued under the SEA were valued at $117,754.

The transaction was accounted for as a "reverse acquisition" as the stockholders of Red Cat possessed majority voting control of the company immediately following the acquisition. In this reverse merger, the financial results of Red Cat Propware, Inc., (the accounting acquirer), have been presented as the continuing operations of the Company since inception. The transaction was accounted for as follows:

Cash	$	24,704
Goodwill		93,050
Total	$	117,754

The goodwill recognized in connection with the acquisition is primarily attributable to anticipated synergies and benefits from the combination of the two companies, including access to the public markets to raise capital, and is expected to be deductible for tax purposes.

Series A Preferred Stock is convertible to common stock at a ratio of 8.33 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 converted automatically to common stock upon the effectiveness of the reverse split of our common stock in August 2019. This common stock and Series A Preferred Stock issued under the SEA constituted approximately 83.33% of our issued and outstanding share capital on a fully-diluted basis on the date of issuance.

Series B Preferred Stock is convertible to common stock at a ratio of 0.83 shares of common stock for each share of preferred stock held and votes together with the common stock on an as-converted basis. The Series B Preferred Stock issued under the SEA constituted approximately 15.64% of our issued and outstanding share capital on a fully-diluted basis on the date of issuance.

B. Organizational

In July 2019, we changed our name from TimeFire VR Inc. to Red Cat Holdings, Inc.

In August 2019, we changed our fiscal year to April 30 which was the historical fiscal year of Red Cat Propware, Inc.

In August 2019, we effected a reverse stock split (the "Reverse Stock Split") of our outstanding shares of common stock at a ratio of one-for-twelve hundred (1 for 1,200). All references in this report to shares of the Company's common stock, including prices per share of its common stock, reflect the Reverse Stock Split.

C. Merger Agreement with Rotor Riot, LLC

On December 31, 2019, the Company entered into an Agreement of Merger (the "Merger Agreement") with Rotor Riot and the three members of Rotor Riot. On January 23, 2020, the Merger was consummated under which Rotor Riot Acquisition Corp, a wholly owned Delaware subsidiary of the Company, merged with and into Rotor Riot, with Rotor Riot continuing as the surviving entity and a wholly owned subsidiary of the Company.

Under the Merger Agreement, each member of Rotor Riot received its pro rata portion of the total number of shares of the Company's common stock issued based on (A)(i) $3,700,000 minus (ii) $915,563 (which included certain debt and other obligations of Rotor Riot and its Chief Executive Officer that the Company agreed to assume (the "Assumed Obligations") divided by (B) the VWAP of the Company's common stock for the twenty trading days prior to the closing of the Merger. Based on a share issuance value of $2,784,437 and a VWAP of $1.25445, the Company issued an aggregate of 2,219,650 shares of common stock to the members of Rotor Riot.

Following the closing of the Merger Agreement, the former members of Rotor Riot owned approximately 10.4% of the Company. In addition, the Company's management controls the operating decisions of the combined company. Accordingly, we have accounted for the transaction as an acquisition of Rotor Riot by the Company. Based on purchase price accounting, we have recognized the assets and liabilities of Rotor Riot at fair value with the excess of the purchase price over the net assets acquired recognized as goodwill. The table below reflects the Company's estimates of the acquisition date values of the purchase consideration, assets acquired, and liabilities assumed. The shares issued were valued at $1,820,113 (2,219,650 shares issued times $0.82 per share which equaled the closing price of the Company's common stock on the date that the merger agreement was consummated).

I. Purchase Price

Shares issued	$	1,820,114
Promissory note issued	$	175,000
Total Purchase Price	$	1,995,114

II. Purchase Price Allocation

Assets Acquired		
Cash	$	21,623
Accounts receivable		28,500
Other assets		3,853
Inventory		127,411
Trademark		20,000
Goodwill		2,373,023
Total assets acquired		2,574,410

Liabilities Assumed		
Accounts Payable and accrued expenses	$	171,651
Notes payable	$	209,799
Due to Related Party	$	197,846
Total liabilities assumed	$	579,296
Net assets acquired	$	1,995,114

The foregoing amounts reflect our current estimates of fair value as of the January 23, 2020 acquisition date. The Company expects to recognize fair values associated with the customer relationships acquired, as well as the Rotor Riot brand name, but has not yet accumulated sufficient information to assign such values. As additional information becomes known regarding the acquired assets and assumed liabilities, management may make adjustments to the opening balance sheet of the acquired company up to the end of the measurement period, which is a one-year period following the acquisition date. The determination of the fair values of the acquired assets and liabilities assumed (and the related determination of estimated lives of depreciable tangible and intangible assets) requires significant judgement.

Fat Shark Acquisition

On September 30, 2020, the Company entered into a share purchase agreement ("Share Purchase Agreement") with Greg French ("French"), the founder and sole shareholder of Fat Shark Holdings ("Fat Shark"), to acquire all of the issued and outstanding shares of Fat Shark and its subsidiaries for a purchase price of $7,000,000. The transaction closed on November 6, 2020 and was paid through (i) the issuance of 5,227,223 shares of common stock with an agreed value of $5,750,000 (ii) a senior secured promissory note in the original principal amount of $1,000,000 which matures on November 1, 2023, and (iii) a cash payment of $250,000 in cash. The Share Purchase Agreement includes indemnification provisions, a two year non-compete agreement, and registration rights for the shares issued in the transaction.

Convertible Note Offering

On October 5, 2020, the Company closed a private offering of convertible promissory notes (the "2020 Notes") in the aggregate principal amount of $600,000 which included the issuance of five-year warrants to purchase an aggregate of 399,996 shares of common stock. The 2020 Notes accrue interest at the rate of 12% per annum and are payable two years from the date of issuance. The 2020 Notes are convertible into common stock at a conversion price equal to the lower of (i) $1.00 per share or, (ii) at a price equal to 75% of the price of an offering of common stock that results in the listing for trading on certain stock exchanges (a "Qualified Offering"). The 2020 Notes also contain protection from dilution which would lower the conversion price in the event of a lower priced issuance. An event of default could also result in a reduction of the conversion price.

The Company may prepay any portion of the 2020 Notes, without penalty or premium, upon ten business days' notice. No conversion will be completed if it would result in the noteholder, including its affiliates, owning more than 9.99% of the Company's outstanding common stock immediately after completing such conversion.

The Warrants are exercisable at $1.50 per share. The exercise price will be reduced to a price equal to 75% of the price per share of the common stock offered in a Qualified Offering.

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. As reflected in our accompanying financial statements, we have negative working capital of $1,338,905 at October 31, 2020 and have accumulated losses totaling approximately $3.7 million through October 31, 2020. Management recognizes that these operating results and our financial position raise 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 GAAP.

Principles of Consolidation – Our condensed consolidated financial statements include the accounts of our subsidiaries, Red Cat Propware, Inc. and Rotor Riot, LLC. Intercompany transactions and balances have been eliminated.

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) determine stock based compensation and (ii) complete purchase price accounting for acquisitions.

Cash – At October 31, 2020, we had cash of $480,065 in multiple commercial banks and financial services companies. We have not experienced any loss on these accounts and believe they are not exposed to any significant credit risk.

Leases – Leases at October 31, 2020 are short term in nature and do not require accounting under the lease accounting standards.

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 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.

Fair Value of Financial instruments – FASB ASC 820, "Fair Value Measurements and Disclosures" ("ASC 820"), provides rules for assets and liabilities measured at fair value on a recurring basis. ASC 820 establishes a common definition for fair value to be applied to existing generally accepted accounting principles that require the use of fair value measurements, and establishes a framework for measuring fair value and expands disclosure about such fair value measurements.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, ASC 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized below:

Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities
Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data
Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

The Company accounts for its derivative liabilities, at fair value, on a recurring basis under level 2.

Convertible Securities and Derivatives – The Company estimates the fair values of the debt and warrants, and allocates the proceeds pro rata based on these values. The allocation of proceeds to the warrants results in the debt instrument being recorded at a discount from the face amount of the debt and the value allocated to the warrant is recorded to additional paid-in capital.

When the convertible debt or equity instruments contain embedded derivative instruments that are to be bifurcated and accounted for as liabilities, the total proceeds from the convertible host instruments are first allocated to the bifurcated derivative instruments. The remaining proceeds, if any, are then allocated to the convertible instruments themselves, resulting in those instruments being recorded at a discount from their face value.

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 to the performance obligations if there are multiple components, 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. The timing of the shipment of orders can vary considerably depending upon whether an order is for an item normally maintained in inventory or an order that requires assembly or unique parts. Customer deposits totaled $66,205 and $38,419 at October 31, 2020 and April 30, 2020, respectively.

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, as well as a proportionate share of overhead costs such as rent. Costs related to software development are included in research and development expense until 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 as a 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.

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

Comprehensive Loss –During the three and six months ended October 31, 2020 and 2019, there were no differences between net loss and comprehensive loss. Therefore, the consolidated statements of comprehensive loss have been omitted.

Stock-Based Compensation – We use the estimated grant-date fair value method of accounting in accordance with ASC Topic 718, Compensation – Stock Compensation. Fair value is determined using the Black-Scholes Model using inputs reflecting our estimates of expected volatility, term and future dividends. We plan to estimate the forfeiture rate based on our historical experience but have made no such allowance to date as our first issuances of stock based awards occurred in October 2019 and we have not experienced any forfeitures to date. We recognize compensation costs on a straight line basis over the service period which is generally the vesting term.

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 exercise of these common stock equivalents would dilute earnings per share if we become profitable in the future.

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. Related Party transactions are disclosed in Note 13.

Note 4 - Notes Payable

In connection with the merger agreement with Rotor Riot, the Company agreed to assume certain financial obligations of Rotor Riot totaling $216,099 in the aggregate. A summary of these obligations is as follows:

A. Note Payable to PayPal

In November 2019, Rotor Riot 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. The balance outstanding at October 31, 2020 was $26,254.

B. Note Payable to Shopify Capital

In August 2019, Rotor Riot entered into an agreement with Shopify Capital under which it sold $176,000 of "Purchased Receivables" for total consideration of $160,000. Shopify Capital is an affiliate of Shopify, Inc. which provides sales software and services to the Company. The Company processes customer transactions ordered on its e-commerce site through Shopify which retained 14% of daily receipts until a total of $176,000 was retained. This note was repaid in May 2020. In May 2020, Rotor Riot entered into a new agreement with Shopify Capital under which it sold $158,200 of Purchased Receivables for total consideration of $140,000. Shopify retained 17% of daily receipts until a total of $158,200 was retained. This note was repaid in October 2020. In September 2020, Rotor Riot entered into a new agreement with Shopify Capital under which it sold $209,050 of Purchased Receivables for total consideration of $185,000. Shopify will retain 17% of daily receipts until a total of $209,050 is retained. Shopify did not begin withholding amounts under this Note until November 2020 as the prior Note was not repaid until the end of October 2020. The balance outstanding at October 31, 2020 was $209,050.

C. Note Payable to Race Day Quads

During 2019, Rotor Riot 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 Rotor Riot in March 2019.The balance owed at October 31, 2020 totaled $49,223.

D. Payable to Aerocarve

During the three months ended October 31, 2020, the Company received advances totaling $70,000 from Aerocarve, which is controlled by the Company's Chief Executive Officer. The parties agreed that the funds would bear interest at 5% annually until repaid.

Note 5 - Due to Related Party

BRIT, LLC, formally known as Brains Riding in Tanks, LLC, was the largest shareholder of Rotor Riot. Following the Merger, BRIT is a significant shareholder in the Company. The controlling shareholder of BRIT is now employed in a management role with the Company.

A. Note Payable to BRIT, LLC

Under the terms of the Merger Agreement, the Company issued a promissory note to BRIT, LLC in the principal amount of $175,000. The promissory note bears interest at 4.75% annually and provides for monthly principal payments of $3,500. The outstanding principal amount and all accrued interest is due on the earlier of (a) January 23, 2021 or (b) the closing of an equity offering by the Company of at least $3,500,000. The balance outstanding at October 31, 2020 totaled $161,547. In addition, accrued interest on the note totaled $6,422 at October 31, 2020.

B. Obligations of BRIT, LLC

BRIT incurred certain financial obligations in support of the operations of Rotor Riot which the Company assumed responsibility to pay. These obligations bear interest at annual rates ranging from 7.5% to 21.74%. The outstanding balance totaled $168,229 at October, 2020.

Note 6 - Convertible Debentures

In November 2019 we issued a convertible note in the principal amount of $300,000 to one accredited investor and in December 2019 we issued a convertible note in the principal amount of $125,000 to a director and a convertible note in the principal amount of $25,000 to our chief executive officer (collectively, the "2019 Notes"). In September and October 2020, the entire $450,000 of 2019 Notes, plus accrued interest totaling $45,204, was converted into 710,445 shares of common stock. The Notes had a term of 2 years and accrued interest at an annual rate of 12% through the date of conversion.

In October 2020, we closed a Convertible Note financing which generated gross proceeds of $600,000. The Notes have a term of 2 years and bear interest at a rate of 12% which accrues and is payable in full when the Notes mature. Interest on the Notes may be paid in cash or in shares of common stock of the Company at the Conversion Price (as defined below).The Notes are convertible into shares of common stock at the holder's sole discretion as follows: (A) prior to consummating an equity financing which generates gross proceeds of not less than $3,000,000 (a "Qualified Offering"), then at the 30 day VWAP of a share of our common stock as listed or quoted on the market in which the shares are then traded or listed, or (B) after we have consummated a Qualified Offering, at 40% of the price per share of common stock sold in the Qualified Offering (the "Conversion Price"). We may, upon 10 business days advance notice, elect to pre-pay the Note, including all accrued interest, in whole or in part, provided that any such prepayment prior to the one-year anniversary of the Note issuance shall be at a price equal to 112% of the then outstanding original principal amount. Upon an event of default, as described in the Notes, the outstanding principal and interest shall become immediately due and payable. Additionally, under the Note, unless waived by the holder, the holder shall not be entitled to convert the Note if such conversion would result in beneficial ownership by the holder and its affiliates of more than 9.99% of the outstanding shares of common stock of the Company on such date. Based on the Company's results since inception, both on an operating and capital raising basis, we believe that it is more likely than not that the Company will not be able to complete an equity financing of at least $3,000,000 during the term of the Notes. In addition, we do not believe that the Company will be able to pre-pay the Notes prior to the one-year anniversary of their issuance. Based on these conclusions, the Company has not recognized a beneficial conversion feature or a derivative liability in connection with the convertible debentures.

Note 7 - Income Taxes

Our operating subsidiary is incorporated and based in Puerto Rico which is a commonwealth of the United States. We are not subject to taxation by the United States as Puerto Rico has its own taxing authority which passed the Export Services Act, also known as Act 20, in 2012. Under Act 20, eligible businesses are subject to a special corporate tax rate of 4%. Since inception, we have incurred net losses in each year of operations. Our current provision for the reporting periods presented in these financial statements consisted of a tax benefit against which we applied a full valuation allowance, resulting in no current provision for income taxes. In addition, there was no deferred provision for any of these reporting periods.

At October 31, 2020 and April 30, 2020, we had accumulated deficits of approximately $3,500,000 and $2,600,000, respectively. Deferred tax assets related to the future benefit of these net operating losses for tax purposes totaled approximately $140,000 and $104,000, respectively, based on the Act 20 rate of 4%. Currently, we focus on projected future taxable income in evaluating whether it is more likely than not that these deferred assets will be realized. Based on the fact that we have not generated an operating profit since inception, we have applied a full valuation allowance against our deferred tax assets at October 31, 2020 and April 30, 2020.

Note 8 - 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.

Note 9 - Preferred Stock

Our Series A Preferred Stock ("Series A Stock") is convertible to common stock at a ratio of 8.33 shares of common stock for each share of Series A Stock, and votes together with the common stock on an as-converted basis. The Series A Preferred Stock was originally issued under the Securities Exchange Agreement, as further described in Note 1. The Series A Stock was automatically converted into shares of common stock upon the effectiveness of our reverse stock split in August 2019, except for 208,704 shares which were subject to a limitation on the number of shares of common stock that can be held by the holder of those shares of Series A Stock.

Our 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-converted basis. The Series B Preferred Stock was originally issued under the Exchange Agreement, as further described in Note 1. Conversions of Series B Stock into Common Stock are as follows:

Date	Series B	Common Stock
July 2019	240,000	200,000
November 2019	60,000	50,000
December 2019	231,022	192,519

Note 10 - Warrants

In September 2019, we received $152,239 in connection with the exercise of 469,874 warrants which had been issued in May 2019 as part of the Share Exchange Agreement. We also assumed a fully vested, restricted stock unit agreement requiring the issuance of 41,667 shares of common stock in May 2021, as well as a warrant to purchase 5,556 shares of common stock at an exercise price of $60.00 per share. This warrant expires in March 2021.

In October 2020, the Company issued five-year warrants to purchase a totalof 399,998 shares in connection with the issuance of $600,000 of convertible notes. The warrants have an initial exercise price of $1.50 which may be reduced to (i) a 25% discount of the price per share of Common Stock offered in a future qualified offering and also include a ratchet provision. The warrants were valued at $267,999 using the multinomial lattice model and are considered derivative liabilities under ASC 815-40.

The following table presents the assumptions used to estimate the fair values of the warrants:

	October 31, 2020
Expected volatility	89-95%
Expected dividends	0%
Expected term	4.92-5 Years
Risk-free interest rate	0.27-0.29%

The following table summarizes the changes in warrants outstanding issued to non-employees of the Company during the six months ended October 31, 2020.

	Number of Warrants		Weighted Average Exercise Price		Weighted Average Grant Date Fair Value	Expiration Date (yrs)		Value if Exercised
Balance as of April 30, 2020	—		—		—	—	$	—
Granted	399,998		1.50		0.67	5.00		599,997
Exercised	—		—		—	—		—
Cancelled/Expired	—		—		—	—		—
Outstanding as of October 31, 2020	399,998	$	1.50	$	0.67	4.92	$	599,997

Note 11 - Share Based Awards

Effective August 2019, shareholders approved the 2019 Equity Incentive Plan (the "Plan") which allows 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 Plan may not exceed 8,750,000.

A. October 2019 Issuances

In October 2019, we issued options to purchase 350,000 shares of common stock valued at $477,500. Options to purchase 200,000 shares vest ratably over a two-year period and expire in October 2029. Options to purchase 150,000 shares vest ratably over a three-year period and expire in October 2024. All of the options were issued at an exercise price of $2.10 which equaled the stock price on the date of issuance. We used the Black-Scholes Model to estimate the fair value of the stock options issued using the following assumptions: (i) expected volatility – 75%, (ii) risk free interest rate – 1.59% or 1.74%, (iii) expected life – 5 or 10 years, and (iv) expected dividend yield of 0%.

B. January 2020 Issuances

In January 2020, we issued options to purchase 1,100,000 shares of common stock exercisable at $0.82 vesting quarterly over a three-year period. These options were valued at $707,300. We also issued options to purchase 147,475 shares of common stock exercisable at $0.82. These options were valued at $94,826 and were vested in full upon issuance. All of these options were issued at an exercise price which equaled the stock price on the date of issuance. We used the Black-Scholes Model to estimate the fair value of the stock options issued using the following assumptions: (i) expected volatility – 75%, (ii) risk free interest rate – 1.74%, (iii) expected life – 10 years, and (iv) expected dividend yield of zero.

C. Summary

Stock compensation expense for the three and six months ended October 31, 2020 was as follows:

		3 months		6 months
General and administrative	$	94,629	$	189,258
Research and development		9,945		19,890
Operations		2,487		4,974
	$	107,061	$	214,122

There was no compensation expense recognized in the three months ended October 31, 2019.

Options exercisable as of October 31, 2020 totaled 572,476. The remaining weighted average contractual term of the options outstanding at October 31, 2020 was 8.73 years. The aggregate intrinsic value of outstanding options, representing the excess of the stock price at October 31, 2020 of $1.21 over the exercise price of each option, was $492,753.

Note 12 - Financial Instruments

The Company has financial instruments that are considered derivatives or contain embedded features subject to derivative accounting related to 4 convertible notes issued totaling $600,000 which included a ratchet provision in the conversion price of the lower of 1.00 or 25% discount of the price per share of Common Stock offered in the Qualified offering and also include a ratchet provision. Attached to these notes as additional consideration was 399,998 5-year warrants with a conversion price of the lower of 1.50 or 25% discount of the price per share of Common Stock offered in the Qualified offering and also include a ratchet provision. Embedded derivatives are valued separately from the host instrument and are recognized as derivative liabilities in the Company's balance sheet. The Company measures these instruments at their estimated fair value and recognizes changes in their estimated fair value in results of operations during the period of change. The Company has estimated the fair value of these embedded derivatives for convertible debentures and associated warrants using a multinomial lattice model as of October 31, 2020. The fair values of the derivative instruments are measured each quarter, which resulted in a loss of $83,803 and derivative expense of $148,587 during the six and months ended October 31, 2020. As of October 31, 2020, the fair market value of the derivatives aggregated $812,390, using the following assumptions: estimated 2.00-5.00-year term, estimated volatility of 88.80-95.11%, and a discount rate of 0.13-

0.33%.

Financial instruments measured at fair value on a recurring basis at October 31, 2020, are summarized as follows:

	Level 1	Level 2	Level 3	Total
Fair value of derivatives	$ —	$ 812,390	$ —	$ 812,390

Note 13 - Related-Party Transactions

Shares Issued for Services – In May 2019, we issued 1,570 shares of common stock valued at $70,000 to a shareholder for legal services provided to us. In April 2020, we issued 150,000 shares of common stock with a fair market value of $204,000 to a different law firm for services provided to us.

Convertible Note Financing – In December 2019, we completed a convertible note financing with a member of the Board of Directors for $125,000 and with our Chief Executive Officer for $25,000. The same Board member invested $300,000 in the convertible note financing completed in October 2020. See Note 6 for details on the terms of the transaction.

Payable to Aerocarve – During the three months ended October 31, 2020, the Company received advances totaling $70,000 from Aerocarve, which is controlled by the Company's Chief Executive Officer. The parties agreed that the funds would bear interest at 5% annually until repaid.

Note 14 - Subsequent Events

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

On November 6, 2020, the Company completed the acquisition of Fat Shark Holdings which was paid through (i) the issuance of 5,227,223 shares of common stock with an agreed value of $5,750,000 (ii) a senior secured promissory note in the original principal amount of $1,000,000 which matures on November 1, 2023, and (iii) a cash payment of $250,000 in cash. The Share Purchase Agreement includes indemnification provisions, a two year non-compete agreement, and registration rights for the shares issued in the transaction.

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 condensed consolidated financial statements and related notes and other financial data included elsewhere in this Quarterly Report on Form 10-Q.

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 for our business focusing on (i) selling drones and related components, and (ii) cloud-based analytics, storage, and services for drones. Any statements that are not 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 Quarterly 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 many factors. Investors should also review the risk factors in the Company's Annual Report on Form 10-K filed with the SEC on August 13, 2020.

All forward-looking statements speak only as of the date on which they are made. The Company does not undertake any obligation to update such forward-looking statements to reflect events that occur or circumstances that exist after the date of this Quarterly Report on Form 10-Q except as required by federal securities law.

Recent Developments

Acquisition of Red Cat Propware, Inc.

Effective May 15, 2019, we closed a Share Exchange Agreement (the "Exchange Agreement") with Red Cat Propware, Inc., a Nevada corporation ("Red Cat Propware") and its then current shareholders (the "Acquisition") pursuant to which we acquired all of the issued and outstanding capital stock of Red Cat Propware in exchange for our issuance of: (i) an aggregate of 236,000,000 shares of our common stock, and (ii) 2,169,068.0554 shares of Series A Preferred Stock ("Series A Stock") to the Red Cat Propware shareholders which constituted approximately 83.33% of our issued an outstanding share capital on a fully-diluted basis at such time. With the exception of shares held by our current Chief Executive Officer, Jeffrey Thompson, the convertibility of shares of Series A Stock is limited such that a holder of Series A Stock may not convert Series A 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 more than 4.99% of all of our outstanding common stock (the "Beneficial Ownership Limit").

Reverse Stock Split

Effective August 1, 2019, we conducted a 1 for 1,200 reverse split of our common stock which resulted in the automatic conversion of all Series A Stock to common stock, with exception of certain Series A Stock subject to the Beneficial Ownership Limit. Following the reverse split, our remaining shares of Series A Stock are convertible to common stock at a ratio of approximately 8.33 shares of common stock for each share of Series A Stock.

Merger Agreement with Rotor Riot, LLC

On December 31, 2019, 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 merged 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, were converted into shares of common stock of the Company. On January 22, 2020, the parties to the Merger Agreement entered into an amendment to the Merger Agreement, joined in by Rotor Riot Acquisition Corp., a newly formed, wholly owned Delaware subsidiary of the Company (the "Delaware Acquisition Sub"), pursuant to which, among other things, 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.

The Merger was consummated as of January 23, 2020 (the "Effective Date"). At the closing of the Merger, the Company entered into a 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 certain financial obligations of Rotor Riot 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.

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 received 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) $915,563 (which included certain debt and other obligations of Rotor Riot and its Chief Executive Officer that the Company agreed to assume (the "Assumed Obligations") 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. Based on a share issuance value of $2,784,437 and a VWAP of $1.25445, the Company issued an aggregate of 2,219,650 shares of common stock to the members of Rotor Riot.

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 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.

Fat Shark Acquisition

On September 30, 2020, the Company entered into a share purchase agreement ("Share Purchase Agreement") with Greg French ("French"), the founder and sole shareholder of Fat Shark Holdings, Ltd., ("Fat Shark"), to acquire all of the issued and outstanding shares of Fat Shark and its subsidiaries for an aggregate purchase price of $7,000,000. Pursuant to the Share Purchase Agreement, at the closing on November 6, 2020, $5,750,000 of the purchase price was paid by the Company by the issuance of (i) 5,227,223 shares of common stock (784,091 of which will be held in escrow for up to 18 months to satisfy indemnification obligations of Fat Shark and French and certain working capital adjustments) and (i) a senior secured promissory note in the original principal amount of $1,000,000, subject to a floating charge under Cayman Island law on all of the assets of Fat Shark and its subsidiaries, and $250,000 in cash. The indemnification obligations are subject to certain limitations and survive for two years following closing and require $25,000 in claims before any claim can be asserted.

The Share Purchase Agreement also provides that for two years following closing, neither French nor his affiliates may engage in a business competing with the Company's drone or FPV goggle business or solicit any of the Company's customers or suppliers.

The Company agreed to register the shares issuable in the transaction under the Securities Act of 1933, as amended (the "Act"), under certain circumstances and the shares are subject to various restrictions on disposition for a period of two years following closing. At any time following a private or public offering of debt or equity securities of at least $6 million prior to the three year anniversary of closing ("Qualified Financing") (during which offerings French also has the right to sell up to $1,000,000 of the shares received), French has the right to a single demand registration under the Act of all or a portion of the shares, unless the aggregate public offering price (before deducting discounts and commissions) is less than $25,000,000.

Up to the greater of 20% or $1,000,000 of the shares received by French may be sold prior to the 12 month anniversary of the closing in privately negotiated transactions (provided the purchaser agrees to be subject to the same restrictions on such shares), thereafter for twelve months, up to 10% of the average daily volume of the common stock during the prior 10 trading days may be sold. The Share Purchase Agreement also requires French to sell a pro-rata amount of his common stock and provides for mandatory participation in certain sales by the Company.

In addition, on November 2, 2020, Fat Shark issued a senior note in the amount of $1,500,000 to French based upon an estimated positive working capital adjustment to the note of $500,000 and cancelled approximately $950,000 in indebtedness owed by Fat Shark to French. The note matures on November 1, 2023, subject to partial acceleration and repayment in certain circumstances including from the sale of certain securities by the Company for cash. The note is subject to a floating charge under Cayman law on all of the assets of Holdings and its subsidiaries.

Plan of Operations

The Company's primary business is to provide products, services and solutions to the drone industry. It operates in three sectors of the drone industry. Rotor Riot designs and sells drones and related components. Rotor Riot is focused on the consumer market and sells its products through its e-commerce platform operated at www.rotorriot.com. The Company is also developing software solutions to provide secure cloud-based analytics, storage and services for the drone industry. Its initial product candidate is Dronebox, a blockchain technology that records, stores and analyzes flight data and information from a drone, much like the "black box" utilized by the airline industry. The Company plans to offer Dronebox as a Software-as-a-Service platform.

The Company closed the acquisition of Fat Shark Holdings ("Fat Shark") on November 6, 2020. Fat Shark is a leading provider of headsets and goggles for professional FPV (First Person View) racers and drone pilots and has an estimated 85% share of its market. The Company expects that Fat Shark will generate a majority of its revenue over the next 12 months. This acquisition continues the Company's efforts to become a fully-integrated drone business with a strong supply chain, as well as a provider of software solutions for the drone industry.

Results of Operations

Three Months Ended October 31, 2020 and October, 2019

Revenue

During the three months ended October 31, 2020 (or the "2020 period"), we generated revenues totaling $427,807 compared to zero revenues during the three months ended July 31, 2019 (or the "2019 period"). On January 23, 2020, we completed a merger with Rotor Riot which sells drone technology on its e*commerce site located at www.rotorriot.com. The sales reported in the 2020 period represent those generated on the e*commerce site during the three months ended October 31, 2020. Prior to the merger with Rotor Riot, we did not have any revenue generating activities.

Operating Expenses

During the three months ended October 31, 2020, we incurred operations expense of $122,697 compared to zero during the 2019 period. Expenses incurred during the 2020 period related to the core operations of Rotor Riot which began in January 2020 following our merger with Rotor Riot. During the three months ended October 31, 2020, we incurred research and development expenses totaling $96,559 compared to $76,724 for the three months ended October 31, 2019 resulting in a increase of $19,835, or 26%. The increase relates to payroll associated with employees hired from Rotor Riot who are working on the research and development of new drone technologies. During the three months ended October 31, 2020, we incurred sales and marketing expenses of $24,679 compared to zero during the three months ended October 31, 2019. Costs incurred in the 2020 period related to the Rotor Riot business and included sales commissions for referrals. During the three months ended October 31, 2020, we incurred general and administrative expenses totaling $345,007 compared to $139,397 for the three months ended October 31, 2019 resulting in an increase of $205,610, or 148%. Stock based compensation costs included in general and administrative expenses totaled $94,629 in the 2020 period compared to zero in the 2019 period. In addition, professional services costs were significantly higher in the 2020 period because the Company is now a commercial enterprise with more complex operations compared to the 2019 period when the Company was in a developmental stage.

Other Expense

Other expense totaled $232,390 during the three months ended October 31, 2020 compared to zero during the three months ended October 31, 2019. The expense incurred during the 2020 period related to the Derivative Liability recorded in connection with the Company’s issuance of Convertible debentures and warrants in October 2020. There were no such transactions during the 2019 period.

Net Loss

Net Loss during the three months ended October 31, 2020 totaled $722,281 compared to a Net Loss of $216,121 during the three months ended October 31, 2019, representing an increase of $506,160, or 234%. Operating expenses totaled $588,942 during the 2020 period compared to $216,121 during the 2019 period, representing an increase of $372,821, or 172%. This increase is attributable to the merger with Rotor Riot in January 2020 and costs associated with operating that business. Other expense totaled $232,390 during the three months ended October 31, 2020 compared to zero during the three months ended October 31, 2019. The expense incurred during the 2020 period related to the Derivative Liability recorded in connection with the Company’s issuance of Convertible debentures and warrants in October 2020. These increases were partially offset by a positive gross margin of $99,051 from operations of the Rotor Riot e*commerce site during the 2020 period.

Six Months Ended October 31, 2020 and October, 2019

Revenue

During the six months ended October 31, 2020 (or the “2020 period”), we generated revenues totaling $976,089 compared to zero revenues during the six months ended July 31, 2019 (or the “2019 period”). On January 23, 2020, we completed a merger with Rotor Riot which sells drone technology on its e*commerce site located at www.rotorriot.com. The sales reported in the 2020 period represent those generated on the e*commerce site during the six months ended October 31, 2020. Prior to the merger with Rotor Riot, we did not have any revenue generating activities.

Operating Expenses

During the six months ended October 31, 2020, we incurred operations expense of $211,730 compared to zero during the 2019 period. Expenses incurred during the 2020 period related to the core operations of Rotor Riot which began in January 2020 following our merger with Rotor Riot. During the six months ended October 31, 2020, we incurred research and development expenses totaling $193,814 compared to $262,419 for the six months ended October 31, 2019 resulting in a decrease of $68,605, or 26%. During the first half of the 2019 period, personnel resources were substantially dedicated to the research and development of drone technologies and software. These efforts have decreased, both in absolute dollars and relative to the Company’s overall allocation of its personnel resources, during the 2020 period as the Company’s focus has transitioned to operating a commercial enterprise. During the six months ended October 31, 2020, we incurred sales and marketing expenses of $48,815 compared to zero during the three months ended October 31, 2019. Costs incurred in the 2020 period primarily related to the Rotor Riot business and included sales commissions for referrals. During the six months ended October 31, 2020, we incurred general and administrative expenses totaling $619,977 compared to $275,204 for the six months ended October 31, 2019 resulting in an increase of $344,773, or 125%. Stock based compensation costs included in general and administrative expenses totaled $189,258 in the 2020 period compared to zero in the 2019 period. In addition, professional services costs were significantly higher in the 2020 period because the Company is now a commercial enterprise with more complex operations compared to the 2019 period when the Company was in a developmental stage.

Other Expense

Other expense totaled $232,390 during the six months ended October 31, 2020 compared to zero during the six months ended October 31, 2019. The expense incurred during the 2020 period related to the Derivative Liability recorded in connection with the Company’s issuance of Convertible debentures and warrants in October 2020. There were no such transactions during the 2019 period.

Net Loss

Net Loss during the six months ended October 31, 2020 totaled $1,105,525 compared to a Net Loss of $537,623 during the six months ended October 31, 2019, representing an increase of $567,902, or 106%. Operating expenses totaled $1,074,336 during the 2020 period compared to $537,623 during the 2019 period, representing an increase of $536,713, or 100%. This increase is attributable to the merger with Rotor Riot in January 2020 and costs associated with operating that business. Other expense totaled $232,390 during the six months ended October 31, 2020 compared to zero during the six months ended October 31, 2019. The expense incurred during the 2020 period related to the Derivative Liability recorded in connection with the Company’s issuance of Convertible debentures and warrants in October 2020. These increases were partially offset by a positive gross margin of $201,201 from operations of the Rotor Riot e*commerce site during the 2020 period.

Cash Flows

Operating Activities

Net cash used in operating activities was $568,452 during the three months ended October 31, 2020 compared to net cash used in operating activities of $415,848 during the three months ended October 31, 2019 representing an increase of $152,604, or 37%. Net cash used in operations, net of non-cash expenses associated with the Derivative Liability and stock based compensation, totaled $640,612 in the 2020 period compared to $525,556 in the 2019 period, resulting in an increase of 115,056, or 22%. The increase primarily related to higher net costs associated with becoming a commercial enterprise through the merger with Rotor Riot in January 2020. Net cash provided through changes in operating assets and liabilities totaled $72,160 during the three months ended October 31, 2020 compared to $109,708 during the three months ended October 31, 2019, representing a decrease of $37,548, or 34%. 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 and vendor payments.

Investing Activities

No cash was provided by investing activities during the three months ended October 31, 2020 compared to $24,704 during the three months ended October 31, 2019. The Company acquired $24,704 of cash in connection with an acquisition completed in the 2019 period.

Financing Activities

Net cash provided by financing activities totaled $811,849 during the six months ended October 31, 2020 compared to $152,239 during the six months ended October 31, 2019, representing an increase of $659,610, or 433%. Financing activities can vary, in nature and amount, from period to period. During the 2020 period, net cash of $580,000 and $235,756 was provided through the issuance of convertible debentures and notes payable, respectively. During the 2019 period, net cash of $152,239 was provided through the exercise of a warrant.

Liquidity and Capital Resources

As of October 31, 2020, we had current assets totaling $650,551, including cash of $480,065 and inventory of $170,486. Current liabilities as of October 31, 2020 totaled $1,989,456 including derivative liability of $812,390, notes payable totaling $354,527, accounts payable totaling $355,092 and amounts due to a related party of $329,777. Our net working capital as of October 31, 2020 was negative $1,388,905.

We have only recently begun generating revenues and have reported net losses since our inception. To date, we have funded our operations through private offerings of common stock primarily from individual private investors. We do not have sufficient cash resources to meet our working capital needs for the next 12 months and will require additional capital in order to execute our business plan.

2019 Convertible Note Offering

In November 2019, we issued a convertible note in the principal amount of $300,000 to one accredited investor and in December 2019 we issued a convertible note in the principal amount of $125,000 to a director and a convertible note in the principal amount of $25,000 to our chief executive officer. (collectively, the "Notes"). The Notes have a two-year term and bear interest at a rate of 12%. Interest on the Notes may be paid in cash or in shares of common stock of the Company at the Conversion Price (as defined below). The Notes are convertible into shares of common stock at the holder's sole discretion as follows: (A) prior to consummating an equity financing which generates gross proceeds of not less than $3,000,000 (a "Qualified Offering"), then at the 30 day volume weighted average of the closing price of a share of our common stock as listed or quoted on the market in which the shares are then traded or listed, or (B) after we have consummated a Qualified Offering, at 40% of the price per share of common stock sold in the Qualified Offering (the "Conversion Price") . We may, upon 10 business days prior notice, pre-pay the Notes, including all accrued interest, in whole or in part, provided that any such prepayment prior to the one-year anniversary of the Note issuance will be at a price equal to 112% of the then outstanding original principal amount. Upon an event of default, as described in the Notes, the outstanding principal and interest will become immediately due and payable. Additionally, under the Note, unless waived by the holder, the holder is not be entitled to convert the Note if such conversion would result in beneficial ownership by the holder and its affiliates of more than 9.99% of the outstanding shares of common stock of the Company on such date.

2020 Convertible Note Offering

On October 5, 2020, the Company closed a private offering of convertible promissory notes in the aggregate principal amount of $600,000 and issued five-year warrants to purchase an aggregate of 399,996 shares of common stock. The notes accrue interest at the rate of 12% per annum and are payable two years from the date of issuance. The notes are convertible into common stock at a conversion price of $1.00 per share or, upon the consummation of an offering of common stock resulting in the listing for trading on the NYSE American, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market or the New York Stock Exchange at a price equal to 75% of the price of the securities sold in such offering (a "Qualified Offering"). The notes also contain protection from dilution in the event of a lower priced issuance.

Upon an event of default, as described in the note, the conversion price will equal the lower of (i) the thirty day volume weighted average of the closing price of the Company's common stock if the conversion occurs prior to a Qualified Offering, or (ii) 65% multiplied by the lowest closing price of the common stock during the twenty consecutive trading day period immediately prior to the conversion.

The Company may prepay all or any portion of the note, without penalty or premium, upon at least ten business days' prior notice to the noteholder. Upon issuance by the Company of a security, or amendment to a security, that the noteholder reasonably believes is more favorable, such term, at noteholder's option, will become a part of the note, except for certain exempt issuances. No conversions under the note will be effected that will result in the noteholder, together with any affiliate, beneficially owning in excess of 9.99% of the Company's outstanding common stock immediately after giving effect to such conversion.

The Warrants are exercisable at a price equal to the lower of (i) $1.50 per share or (ii) if a Qualified Offering occurs, at a 25% discount to the price per share of the common stock offered in such Qualified Offering. The number of shares of common stock for which the Warrant is exercisable is subject to adjustment in the event of a stock split or dividend, and similar event or certain corporate events such reorganizations and mergers. In the event of a reorganization or reclassification of capital stock, the consolidation or merger, or the sale or other disposition of all or substantially all the property, assets, business, and goodwill of the Company, the warrant holder will be entitled to purchase the kind and amount of shares of capital stock which the Warrant entitled the warrant holder to purchase immediately prior to such event. The Warrants also include piggyback registration rights.

Until we are able to sustain operations through the sale of products and services, we will continue to fund operations through equity and/or debt transactions. We can provide no assurance that the financing described above will be sufficient to fund our operations until we are able to sustain operations through the sale of products and services. In addition, there can be no assurance that such additional financing, if required, will be available to us on acceptable terms, or at all.

Going Concern

We have only recently begun generating revenues and have reported net losses since our inception. The success of our business plan during the next 12 months and beyond will be contingent upon generating sufficient revenue to cover our operating costs and/or upon obtaining additional financing. The report from our independent registered public accounting firm for the fiscal year ended April 30, 2020 includes an explanatory paragraph stating the Company has recurring net losses from operations, negative operating cash flows, does not yet generate revenue from operations and will need additional working capital for ongoing operations. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern. If we are unable to obtain sufficient funding, our business, prospects, financial condition and results of operations will be materially and adversely affected and we may be unable to continue as a going concern.

We are presently seeking to address these going concerns through efforts to raise capital through the public markets, release our first commercial product and 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.

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 off-balance sheet arrangements.

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 and are not required to provide this information.

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. 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, as of October 31, 2020. 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 October 31, 2020.

Our disclosure controls and procedures are not effective for the following reasons:

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, we only have one individual, our Chief Financial Officer, who reviews, evaluates, approves, and records non-routine transactions and 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. In November 2020, the Company hired a corporate controller to support the Chief Financial Officer and plans to utilize such additional resources to strengthen internal controls, including segregation of duties.

Changes in Internal Control over Financial Reporting

During the period covered by this report, there were no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There are no pending legal proceedings to which the Company is a party or in which any director, officer or affiliate of the Company, any owner of record or beneficially of more than 5% of any class of voting securities of the Company, or security holder is a party adverse to the Company or has a material interest adverse to the Company. The Company's property is not the subject of any pending legal proceedings.

ITEM 1A. RISK FACTORS

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

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

Except as set forth below there were no sales of equity securities sold during the period covered by this Report that were not registered under the Securities Act and were not previously reported in a Current Report on Form 8-K filed by the Company.

On September 18, 2020 we issued 209,758 shares of common stock to a director upon the conversion of a promissory note in the principal amount of $125,000 and $11,342 of accrued interest.

On October 5, 2020, we closed a financing which included the issuance of (i) convertible notes to four investors in the aggregate amount of $600,000 and (ii) warrants to purchase an aggregate of 399,998 shares of common stock at an exercise price equal to the lower of $1.50 per share to or at a 25% discount to the price per share of common stock sold in a Qualified Offering. A director of the Company purchased $300,000 of the convertible notes and was issued 200,000 of the warrants.

On October 7, 2020, we issued 471,521 shares of common stock to an investor upon the conversion of a promissory note in the principal amount of $300,000 and $31,266 of accrued interest.

On October 9, 2020, we issued 29,166 shares of common stock to our chief executive officer upon the conversion of a promissory note in the principal amount of $25,000 and $2,416 of accrued interest.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit	Description
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	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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: December 21, 2020

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

Date: December 21, 2020

By: */s/ Joseph P. Hernon*
Joseph Hernon
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 31.1

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. I am 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 my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me 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 my 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 my 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on my 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: December 21, 2020

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

EXHIBIT 31.2

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, Joseph Hernon, 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. I am 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 my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me 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 my 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 my 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on my 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: December 21, 2020

/s/ Joseph Hernon
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 32.1

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 October 31, 2020, 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: December 21, 2020	By:	*/s/ Jeffrey Thompson*
	Name:	Jeffrey Thompson
	Title:	Chief Executive Officer
		(Principal Executive Officer)

EXHIBIT 32.2

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 October 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph Hernon, 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: December 21, 2020

By: */s/ Joseph Hernon*
Name: Joseph Hernon
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)