

**Registration number 89889**

**Draganfly Investments Limited**

**Chairman's statement and interim results**

**for the period ended 31 October 2009**

## Interim Results for period from May 1<sup>st</sup> 2009 to October 31<sup>st</sup> 2009

### Chairman's Statement

During the period under review net assets have fallen from 1.57 pence per share on 30<sup>th</sup> April 2009 to 1.4 pence per share on October 30<sup>th</sup> 2009, a decline of 11% compared with a 35% rally in the wider AIM market during the corresponding period.

This underperformance primarily reflects the large proportion of remaining unquoted holdings within the portfolio, and also the performance of Sino Gas and Energy immediately prior to admission on the ASX market.

Prior to flotation on the ASX in September 2009, Sino Gas and Energy announced a rights issue at AUS 25 cents per share, representing a 50% discount to the last private funding round and the prevailing holding value within the portfolio. This resulted in a significant reduction in holding value of £387,000. Since flotation, the shares have declined by a further 28%, despite the company providing regular market updates regarding drilling progress and further gas discoveries. Sino Gas and Energy appears on course to meet its target of proving out a reserve base of between 100 bcf and 150 bcf of gas by the end of 2010. Peer group comparisons suggest this should equate to a valuation of AUS \$100m in contrast with the recent range of \$24m-28m. We look forward to further company updates with confidence.

Whilst the current share price performance of Sino Gas and Energy is disappointing, the listing represents a significant boost to the portfolio's liquidity and an unrealised uplift of 25% since the original investment was made.

Elsewhere within the quoted portfolio, our AIM holdings rose 42% during the period under review, reflecting a very strong performance from Sirius Exploration, the potash exploration and development company. Sirius has rapidly assembled a world-class portfolio of potash assets in North Dakota, USA, and in North East and North West Australia, and also stands at the forefront of pioneering research into Compressed Air Energy Storage (CAES) and Carbon Sequestration at a time when clean energy, and in particular Carbon Capture, take centre stage on the political agenda worldwide. Sirius Exploration shares were added to the portfolio at 2 pence per share, following which we have traded out of a proportion of the shareholding at average prices of 9 pence per share, providing a zero-cost entry point. We continue to hold the majority of the position and look forward to a very exciting 2010 for the company. We also continue to hold Rheochem, Iofina and Immedia, all of which are progressing well and continue to meet our investment criteria of either generating cash flow and profitability, or building the platform for future profits growth. We have traded Iofina and Rheochem during the period and have disposed of the position in Medicsight.

We currently have five quoted holdings:

Sino Gas and Energy

Immedia PLC

Iofina

Rheochem

Sirius Exploration

Amongst the unquoted holdings Finance Ireland has not reflected any change since the last reporting period. Microsaic Systems and Atlantic Healthcare continue to develop their businesses and we expect news of product commercialisation and funding in due course. Holding values for these investments remain unchanged as indeed for Continental Petroleum where we expect a resolution to the protracted process of extending the company's exploration license in early 2010.

We currently have four unquoted holdings:

Finance Ireland

Atlantic Healthcare

Continental Petroleum Limited

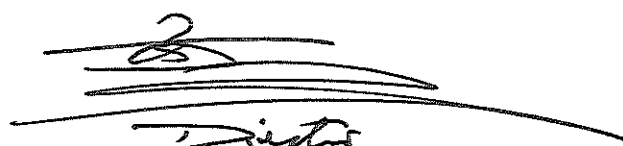
Microsaic Systems

We remain convinced that our portfolio carries significant re-rating potential, but company scale remains an issue that is under review. Your Board is considering various options to increase the scale of the company and looks forward to reporting on progress in the coming months.

May I take this opportunity to thank shareholders for their support and wish you all a Merry Christmas and Happy and successful New Year.

Mark Horrocks

Chairman



22<sup>o</sup> Decembre 2009.

**Draganfly Investments Limited**  
**Unaudited Profit and loss account**  
**for the period ended 31 October 2009**

		<b>Continuing Operations</b>	
		<b>Period End</b>	<b>Period End</b>
		<b>31/10/09</b>	<b>31/10/08</b>
		<b>£</b>	<b>£</b>
	<b>Notes</b>		
<b>Turnover</b>	<b>2</b>	(62,885)	(593,180)
Administrative expenses		(124,261)	(128,049)
<b>Operating loss</b>		<u>(187,146)</u>	<u>(721,229)</u>
Other interest receivable and similar income		-	-
Interest payable and similar charges		-	(8,943)
<b>Loss on ordinary activities</b>		<u><u>(187,146)</u></u>	<u><u>(730,172)</u></u>

There are no recognised gains or losses other than those included in the profit and loss account.

**Earnings/ loss per share -basic**

Basic	<u>(0.0016)</u>	<u>(0.0640)</u>
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**Draganfly Investments Limited**  
**Unaudited Balance sheet**  
**as at 31 October 2009**

	Notes	31/10/09		31/10/08	
		£	£	£	£
<b>Current assets</b>					
Debtors	3	7,556		20,904	
Investments		1,552,742		2,118,000	
Brokers cash account		48,286		-	
		<u>1,608,584</u>		<u>2,138,904</u>	
<b>Creditors: amounts falling due within one year</b>					
Creditors	4	(7,326)		(12,222)	
Bank overdraft		-		(57,414)	
		<u>(7,326)</u>		<u>(69,636)</u>	
<b>Net assets</b>			<u>1,601,258</u>		<u>2,069,268</u>
<b>Capital and reserves</b>					
Called up share capital			1,142,270		1,142,270
Share premium account			1,980,303		1,980,303
Profit and loss account			<u>(1,521,315)</u>		<u>(1,053,305)</u>
<b>Equity shareholders' funds</b>	5		<u>1,601,258</u>		<u>2,069,268</u>

**Draganfly Investments Limited**  
**Unaudited Cash flow statement**  
**for the period ended 31 October 2009**

<b>Notes</b>	<b>Period ended 31/10/09 £</b>	<b>Period ended 31/10/08 £</b>
<b>Reconciliation of operating loss to net cash outflow from operating activities</b>		
Operating loss	(187,146)	(721,229)
Realised (gain) / loss on sale of investments	(133,282)	265,695
Unrealised loss /(profit) on revaluation of investments	196,167	339,594
(Increase) in debtors	1,814	(15,881)
(Decrease) / increase in general creditors	(6,534)	7,201
<b>Net cash outflow from operating activities</b>	<u>(128,981)</u>	<u>(139,022)</u>
<b>Cash flow statement</b>		
Net cash outflow from operating activities	(128,981)	(139,022)
Returns on investments and servicing of finance	-	(8,943)
Capital expenditure and financial investment	161,373	274,599
<b>Increase /(Decrease) in cash in the period</b>	<u>32,392</u>	<u>126,634</u>
Increase /(Decrease) in cash in the period	32,392	126,634
Opening cash balance / (bank overdraft)	15,895	(184,048)
Closing cash balance / (bank overdraft)	<u>48,286</u>	<u>(57,414)</u>

**Draganfly Investments Limited**  
**Notes to the interim statements**  
**for the period ended 31 October 2009**

**1. Accounting policies**

**1 Accounting policies**

**Basis of preparation**

The financial statements are prepared in accordance with applicable UK accounting standards.

**Investments**

In accordance with FRS 26, investments are designated as at fair value through profit or loss.

Quoted investments are stated at mid-market prices at the balance sheet date.

Unlisted investments are stated at 'price of recent investment', reflecting the early stage nature of the investment. The following considerations are used when calculating the 'price of recent investment':

- (i) Where the investment being valued was itself made recently, its cost will generally provide a good indication of fair value.
- (ii) Where there has been a recent investment by third parties, the price of that investment will provide a basis of the valuation.

Where a fair value cannot be estimated reliably, the investment is reported at cost or the carrying value at the previous reporting date, unless there is evidence that the investment has since been impaired.

**Taxation**

The company has been granted exempt company status within the meaning of Article 123A of the Income Tax (Jersey) Law 1961 (as amended). The effect of such special status is that the company is treated as a non-resident company for the purposes of Jersey tax laws and is therefore exempt from Jersey income tax on its profits arising outside Jersey and, by concession, on bank deposit interest arising in Jersey (and from any obligation to withhold Jersey income tax from any interest or dividend payments made by it). This status is renewable on an annual basis upon payment of a fee to the Comptroller of Income Tax in Jersey, and it is the company's intention to maintain this status.

Consequently, no provision for taxation, either current or deferred has been made in these financial statements.

**2 Turnover**

Turnover is derived from its principal activity and includes dividends received from investments. It also includes realised and unrealised profits and losses on investments.

**Draganfly Investments Limited**  
**Notes to the interim statements**  
**for the period ended 31 October 2009**

**3 Investments**

<b>The carrying value of investments is stated as follows:</b>	<b>Quoted £</b>	<b>Unquoted £</b>	<b>Total £</b>
Fair value of investments at 1 May 2009	357,687	1,419,293	1,776,980
Transfers	829,894	(829,894)	-
Costs of investment purchases in the period	75,000	90,394	165,394
Sale proceeds of investments sold in the period	(326,767)	-	(326,767)
	<u>935,814</u>	<u>679,793</u>	<u>1,615,607</u>
Realised losses on sale of investments included in the profit and loss account	133,282	-	133,282
Unrealised change in fair value of investments held at 30 April 2009 included in the profit and loss account	(196,167)	-	(196,167)
	<u>(62,885)</u>	<u>-</u>	<u>(62,885)</u>
<b>Fair value of portfolio of investments at 31 October 2009</b>	<b>875,929</b>	<b>679,793</b>	<b>1,552,722</b>
Millpath Limited (note 15)	-	20	20
<b>Fair value of total investments at 31 October 2009</b>	<b>875,929</b>	<b>679,813</b>	<b>1,552,742</b>

**4 Creditors: amounts falling due within one year**

	<b>31/10/2009 £</b>	<b>31/10/2008 £</b>
<b>Bank overdraft</b>	-	57,414
<b>Other creditors</b>	7,326	12,222
	<u>7,326</u>	<u>69,636</u>

Notes to the interim statements  
for the period ended 31 October 2009

**5 Reconciliation of Shareholders' funds**

	<b>Profit and Loss Account £</b>	<b>Called up Share Capital £</b>	<b>Share Premium Account £</b>	<b>Total £</b>
As at 1st May 2009	(1,334,169)	1,142,270	1,980,303	1,788,404
Loss for the period	(187,146)	-	-	(187,146)
As at 31st October 2009	<u>(1,521,315)</u>	<u>1,142,270</u>	<u>1,980,303</u>	<u>1,601,258</u>

**6 Earnings per share**

Basic earnings per share is calculated on the basis of loss for the period of £730,172 and 114,227,000 shares being the weighted average number of shares in issue during the trading period.

**7 Dividends**

No dividends have been paid or proposed.