

**Interim results for the period from 1 May 2006 to 31 October 2006**

### **Chairman’s Statement**

During the period under review the small company market suffered a major setback, with the AIM index falling 20%. Unfortunately, this was reflected in the performance of your company, with net assets falling from £3,162,176 (2.77p per share) on 30<sup>th</sup> April 2006 to £2,395,391 (2.11p per share) on 31<sup>st</sup> October 2006.

As at 31<sup>st</sup> December the latest NAV was £2,795,721 (2.45p per share), benefiting from improved conditions in the small company market.

At the end of the period your company held ten investments, following the disposal of Billing Services Group, an investment which contributed almost one third of the NAV decline during the reporting period.

Of these ten holdings, three are pre-IPO’s, namely Continental Petroleum Limited (“Continental”), Sino Gas and Energy Limited (“Sino Gas”), and Microsaic Systems Limited (“Microsaic”).

It is relevant to provide some background information on Continental. In December 2005 the company announced their agreement to be acquired by Cordillera Resources PLC at a 94% premium to our original entry price. The deal was subject to satisfactory due diligence and shareholder approval, but procedural delays in Russia meant that the conditions of this agreement could not be met within the required timelines, and the acquisition was terminated. Despite these delays we feel very confident about the company’s future prospects, and hope to be able to update shareholders on progress in the near future.

In March 2006 we acquired a shareholding in Sino Gas. Sino Gas is an emerging energy company in China with a particular focus on Tight Gas Sands. Currently the company is engaged on a number of projects including a highly prospective earn-in with Chevron for various Production Sharing Contracts to the west of Beijing.

In May 2006 we acquired a shareholding in Microsaic, a company which markets patented Ionchip® detector technology. The product has a wide range of applications but is primarily focused on process control in the Pharmaceutical and Energy sectors.

Since the period end we have taken profits in Acta and GB Group, and added Accsys Technologies to the portfolio, leaving us with eight quoted and three unquoted investments as at the 31<sup>st</sup> January 2007. The quoted investments are as follows:

Accsys Technologies PLC  
Mercator Gold PLC

Acta SpA  
BDI Mining Corporation  
Braemore Resources PLC  
Finance Ireland PLC  
GB Group PLC  
Immedia Broadcasting PLC

\*Shareholders can keep in touch with all news on quoted companies via  
[www.investegate.co.uk](http://www.investegate.co.uk)

Despite the turbulence experienced during the reporting period, your Board continues to view future prospects with optimism.

Mark Horrocks  
Chairman

**Draganfly Investments Ltd**  
**Unaudited Profit and Loss Account**  
**for the interim period from 1 May 2006 to 31 October 2006**

	Notes	31/10/06 £	30/4/06 £
Turnover		(640,590)	355,140
<b>Gross (loss)/profit</b>		<u>(640,590)</u>	<u>355,140</u>
Administrative expenses		(116,493)	(332,692)
<b>Operating (loss)/profit</b>		<u><b>(757,083)</b></u>	<u><b>22,448</b></u>
Interest receivable		-	20,412
Interest payable		(9,702)	(3,257)
<b>(Loss)/profit on ordinary activities before taxation</b>		<u><b>(766,785)</b></u>	<u><b>39,603</b></u>
Earnings (Loss) per share – basic	<b>4</b>	(£0.0066)	£0.003

The operating loss for the period arises from the company's continuing operations. There were no other gains or losses in the period other than those stated above.

**Draganfly Investments Ltd**  
**Balance Sheet**  
**as at 31 October 2006**

Notes		31/10/06 £	30/4/06 £
<b>Current assets</b>			
Debtors		12,510	-
Investments held as current assets	2	2,774,052	3,445,409
Cash at bank and in hand		<u>(354,636)</u>	<u>(270,733)</u>
		2,431,926	3,174,676
<b>Creditors: amounts falling due within one year</b>			
		<u>(36,535)</u>	<u>(12,500)</u>
<b>Net current assets</b>		2,395,391	3,162,176
<b>Total assets less current liabilities</b>			
		<u>2,395,391</u>	<u>3,162,176</u>
<b>Net assets</b>			
		<u><b>2,395,391</b></u>	<u><b>3,162,176</b></u>
<b>Capital and reserves</b>			
Called up share capital		1,142,270	1,142,270
Share premium		1,980,303	1,980,303
Profit and loss account		(727,182)	39,603
<b>Shareholders' funds</b>	3	<u><b>2,395,391</b></u>	<u><b>3,162,176</b></u>

**Draganfly Investments Ltd**  
**Cash Flow Statement**  
**for the period from 1 May 2006 to 31 October 2006**

	Notes	31/10/06 £	30/4/06 £
<b>Reconciliation of operating profit to net cash inflow from operating activities</b>			
Operating (loss)/profit		(757,083)	22,448
Realised (profit)/loss on sale of investments		229,985	(112,673)
Unrealised (profit)/loss on revaluation of investments		417,355	(230,567)
Increase in debtors		(12,510)	-
Increase in creditors		36,535	12,500
<b>Net cash outflow from operating activities</b>		<u><b>(85,718)</b></u>	<u><b>(308,292)</b></u>

**CASH FLOW STATEMENT**

<b>Net cash outflow from operating activities</b>	(85,718)	(308,292)
<b>Returns on investments and servicing of finance</b>	(9,689)	17,155
<b>Taxation</b>	-	-
<b>Capital expenditure</b>	<u>(3,111,058)</u>	<u>(3,102,169)</u>
	(3,213,101)	(3,393,306)
<b>Financing</b>	3,122,573	3,122,573
<b>Decrease in cash</b>	<u><b>(83,892)</b></u>	<u><b>(270,733)</b></u>

**Draganfly Investments Limited**  
**NOTES TO THE UNAUDITED ACCOUNTS**  
**for the period ended 31 October 2006**

**1 Accounting policies**

- a) Basis of preparation  
The financial statements are prepared in accordance with United Kingdom Accounting Standards.

- b) 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.

- c) 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.

Draganfly Investments Limited  
 NOTES TO THE UNAUDITED ACCOUNTS (continued)  
 for the period ended 31 October 2006

**2 Investments**

The carrying value of investments is stated as follows:

	Quoted £	Unquoted £	Total £
Cost of investments	2,784,963	636,431	3,421,394
Change in fair values	(647,341)		(647,341)
As at 31 October 2006	2,137,622	636,431	2,774,053

**3 Reconciliation of movement in shareholders' funds**

	Profit and loss Account £	Called up Share capital £	Share premium account £	Share- holders' funds £
Opening shareholders' funds	39,603	1,142,270	1,980,303	3,162,176
Loss for the period	(766,785)	1,142,270	1,980,303	2,355,788
New equity share capital subscribed	-	-	-	-
As at 31 October 2006	(727,182)	1,142,270	1,980,303	2,395,391

**4 Loss per share**

Basic loss per share is calculated on the basis of loss for the period of £766,785 and 114,227,000 shares being the weighted average number of shares in issue during the trading period.

**5 Dividends**

No dividends have been paid or are proposed.