

Draganfly Investments Limited
Chairman's statement and interim results
for the period ended 31 October 2010

Interim Results for period from May 1st 2010 to October 31st 2010

Chairman's Statement

During the period under review net assets have risen to £946,354 or 0.83p per share, an increase of 3.75%. The modest gain during the period masks a phase of volatility amongst our quoted portfolio companies, with the unaudited NAV reaching a low point of 0.69p in July, as share prices amongst our holdings in Sirius Minerals and Sino Gas languished at or near 12 month lows. The subsequent recovery has been gratifying and has continued beyond the period end, with Sirius Minerals in particular posting an excellent performance, bouncing from a summer low of 1.75p to a recent high of 17p per share. Immedia has also shown some price strength, and we note that various members of the company's senior staff have been buying Immedia shares.

The general market backdrop has improved, as reflected in gains across equity markets since the summer. Numerous economists and market strategists are forecasting strong GDP growth amongst developed economies, and earnings forecasts for European equities include expectations of 15-20% EPS growth. Equity valuations are by no means stretched with European equities on forward PE forecasts of 11x. We expect the earnings recovery to roll into 2011 and this gives us confidence for both our quoted and private holdings during the current calendar year.

Turning to our private investments, we note the news flow has been quiet during the period under review, yet we believe that much work has been undertaken by our portfolio companies, and we expect this to be reflected in fresh announcements during the coming weeks and months. Continental Petroleum has endured a difficult period whilst seeking to extend its exploration and production licence in Siberia, and we expect to receive clarity on this position soon. This investment remains under review. Having successfully completed a rights issue in the previous period, Microsaic Systems is progressing product commercialisation and we are due an update from the company. Atlantic Healthcare continues to progress the commercialisation of alicaforsen and to strengthen its band of top quality medical advisors. We look forward to an update on commercial progress and strategic initiatives soon, and are very optimistic about the company's prospects.

We hope to be able to provide more detail on each of the individual private holdings as they issue formal updates and announcements. Subject to commercial sensitivities, and with each company's consent, we will seek to post more details by RNS. We have previously mentioned the difficulty smaller companies have experienced in securing access to capital in recent years, and whilst the environment remains harsh, particularly within the corporate banking sector, we expect our private investments to secure fresh capital via both the Private Equity route, and possibly stock market listings during 2011.


During the period under review we have sold out our positions in Rheochem and Iofina and traded Sino Gas and Sirius Minerals. Since the period end we have traded and continue to hold Sirius Minerals and Sino Gas. We also continue to hold Immedia.

The overall liquidity of your company's asset base is much improved as a result of better investment performance, and we have strong cash balances allowing us to seek out fresh investment opportunities.

Finally, we are very encouraged by the much improved trading volumes and liquidity in Draganfly Investments' shares, and welcome increasing retail investor awareness of our existence.

I would like to thank all investors for their continued support.

Mark Horrocks



Timothy Edward Gray Bayman
Director


4/11/11

Draganfly Investments Limited
Unaudited Profit and loss account
for the period ended 31 October 2010

		Continuing Operations	
		Period End	Period End
		31/10/10	31/10/09
Notes		£	£
	2		
Turnover		80,729	(62,885)
Administrative expenses		<u>(46,034)</u>	<u>(124,261)</u>
Operating loss		34,695	(187,146)
Other interest receivable and similar income		-	-
Interest payable and similar charges		-	-
Loss on ordinary activities		<u>34,695</u>	<u>(187,146)</u>
There are no recognised gains or losses other than those included in the profit and loss account.			
Earnings/ loss per share -basic			
Basic (in pence)		<u>0.03p</u>	<u>(0.16)p</u>

Draganfly Investments Limited
Unaudited Balance sheet
as at 31 October 2010

		31/10/10		31/10/09	
	Notes	£	£	£	£
Current assets					
Debtors		2,418		7,556	
Investments	3	954,232		1,552,742	
Cash accounts		4,953		48,286	
		961,603		1,608,584	
Creditors: amounts falling due within one year					
Creditors	4	(15,249)		(7,326)	
Net assets			946,354		1,601,258
Capital and reserves					
Called up share capital			1,142,270		1,142,270
Share premium account			1,980,303		1,980,303
Profit and loss account			(2,176,219)		(1,521,315)
Equity shareholders' funds	5		946,354		1,601,258


Timothy Edward Gray Bayman
 Director

19/1/11

Draganfly Investments Limited
Unaudited Cash flow statement
for the period ended 31 October 2010

	Period ended 31/10/10 £	Period ended 31/10/09 £
Reconciliation of operating loss to net cash outflow from operating activities		
Operating profit / (loss)	34,695	(187,146)
Realised loss / (gain) on sale of investments	52,375	(133,282)
Unrealised (profit) / loss on revaluation of investments	(133,104)	196,167
Decrease in debtors	1,658	1,814
(Decrease) in general creditors	(38,306)	(6,534)
Net cash outflow from operating activities	(82,682)	(128,981)
 Cash flow statement		
Net cash outflow from operating activities	(82,682)	(128,981)
Capital expenditure and financial investment	81,805	161,373
(Decrease) / Increase in cash in the period	(877)	32,392
 (Decrease) / Increase in cash in the period	(877)	32,392
Opening cash balance	5,830	15,895
Closing cash balance	4,953	48,286

Draganfly Investments Limited
Notes to the interim statements
for the period ended 31 October 2010

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 2010

3 Investments

The carrying value of investments is stated as follows:	Quoted £	Unquoted £	Total £
Fair value of investments at 1 May 2010	400,173	555,115	955,288
Costs of investment purchases in the period	49,500	-	49,500
Sale proceeds of investments sold in the period	(131,305)	-	(131,305)
	<u>318,368</u>	<u>555,115</u>	<u>873,483</u>
Realised losses on sale of investments included in the profit and loss account	(52,375)	-	(52,375)
Unrealised change in fair value of investments held at 31 October 2010 included in the profit and loss account	133,260	(156)	133,104
	<u>80,885</u>	<u>(156)</u>	<u>80,729</u>
Fair value of portfolio of investments at 31 October 2010	399,253	554,959	954,212
Millpath Limited	-	20	20
Fair value of total investments at 31 October 2010	<u>399,253</u>	<u>554,979</u>	<u>954,232</u>

4 Creditors: amounts falling due within one year

	31/10/2010 £	31/10/2009 £
Other creditors	15,249	7,326
	<u>15,249</u>	<u>7,326</u>

**Notes to the interim statements
for the period ended 31 October 2010**

5 Reconciliation of Shareholders' funds

	Profit and Loss Account £	Called up Share Capital £	Share Premium Account £	Total £
As at 1st May 2010	(2,210,914)	1,142,270	1,980,303	911,659
Loss for the period	34,695	-	-	34,695
As at 31st October 2010	<u>(2,176,219)</u>	<u>1,142,270</u>	<u>1,980,303</u>	<u>946,354</u>

6 Earnings per share

Basic earnings per share is calculated on the basis of gain for the period of £34,695 and 114,227,000 shares being the weighted average number of shares in issue during the trading period and is stated in pence.

7 Dividends

No dividends have been paid or proposed.