

DRAGANFLY INVESTMENTS LIMITED

NOTICE

ANNUAL GENERAL MEETING

29 October 2008 at 12.00pm BST

Notice is hereby given that the annual general meeting of the Company will be held at Pentera Chambers, Century Buildings, St Helier, Jersey JE4 8PS, Channel Islands on 29th October 2008 at 12.00pm BST for the purpose of considering and, if thought fit, adopting the following resolutions relating to the ordinary business and the special business of the Company at the annual general meeting or any adjournment thereof:

ORDINARY RESOLUTIONS

1. **THAT** the following directors, who retire in accordance with Article 90 of the Articles of Association of the Company and who, being eligible, offer themselves for re-election, be re-elected as directors of the Company:
 - (a) Mark Horrocks
 - (b) T Edward G Bayman
 - (c) Roy L Pitcher
 - (d) Jamie P Hamilton
2. **THAT** the Company's audited accounts for the period from 1st May 2007 to 30th April 2008 be adopted.
3. **THAT** no dividend be paid, the directors not having made any recommendation to do so.
4. **THAT** the appointment of Baker Tilly UK Audit LLP as auditor of the Company to hold office until the conclusion of the next annual general meeting be approved.
5. **THAT**, notwithstanding statements made in the Company's AIM Admission Document, the Company's investments strategy be amended to read:

"Following Admission, the Company will, with the advice of the Investment Advisor, consider investment opportunities mainly in the natural resources, consumer products, technology and services sectors. These investment opportunities will primarily be in the UK and Europe, but may be made in any country worldwide. The investments may be in quoted or unquoted entities (including, for these purposes, entities quoted on AIM) or be interests in companies or other entities whose equity value is up to £1 billion. Particular consideration will be given to identifying investments which are, in the opinion of the Directors, under-performing or undervalued and where the Directors believe that the Company's or Investment Advisor's expertise and experience can be deployed to facilitate growth in or unlock inherent value from an Investee Company.

The Directors envisage that the Company will have a concentrated and actively managed portfolio of investments. The Company may, however have over 25 per cent. of its NAV in one investment. The Company generally intends that no single investment of the Company would exceed 25 per cent. of its NAV at the time that investment is made, but this may be exceeded by the Company at the Boards

discretion.

The Company may invest in an unlisted entity even where the aggregate value of its investments in unlisted entities exceeds 50 per cent. of the Company's NAV. Generally the Company will have an expectation of a liquidity event (such as a trade sale or listing) in respect of that event occurring within 12 months after making that investment. The Company may however, at the Board's discretion, make investments where the expectation of a liquidity event taking place is longer than 12 months.

The Company will seek where necessary to mitigate any liquidity constraints in its portfolio through the use of derivative instruments and liquid securities.

The Company may borrow against its portfolio to increase its leverage. The Company's intention is that when it borrows, the aggregate of all such borrowing will not exceed 25 per cent. of the Company's NAV.

To assist the Directors in the investment decision making process, the Investment Advisor will carry out, or commission third parties to carry out, appropriate due diligence on proposed investments. This may include company visits, management interviews, researching the market position and strategy of potential Investee Companies, and carrying out a "SWOT" analysis and/or a financial evaluation of the Investee Company.

The Directors anticipate that the resources of the Company will be fully invested within two years of Admission. In accordance with the AIM Rules, and for so long as the Company is deemed to be an Investing Company (as defined in the AIM Rules), proposals will be put to Shareholders annually in relation to the continuance of the Company's business.

The Directors consider that it is possible that, as investments are made, and new investment opportunities arise, further funding of the Company may be sought.

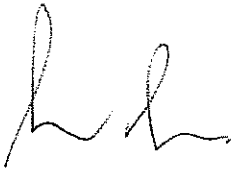
The Investment Advisor will provide the Board with monthly updates on the Company's unaudited NAV, investments made and prospective investments. The Company will also announce its unaudited NAV on a monthly basis through a Regulatory Information Service (as defined in the AIM Rules)."

SPECIAL RESOLUTIONS

6. To consider and, if thought fit, to pass the following resolution as a Special Resolution:

"THAT the current Articles of Association of the Company be deleted in their entirety and replaced by the adoption of new Articles of Association which can be downloaded from and have been posted on the Company's website since the date of the Notice of the Annual General Meeting at the following web address: www.draganflyinvestments.com."

By Order of the Board of Directors



LIBURNA SECRETARIES LIMITED

as secretary of

DRAGANFLY INVESTMENTS LIMITED

Date: 2 October 2008 2008

Notes:

1. A member of the Company entitled to attend and vote at the meeting convened by the notice set out above is entitled to appoint a proxy to attend and, on a poll, to vote in his/her place. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company.
2. An instrument for the purposes of appointing a proxy is enclosed. To be valid, the instrument and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be received at PO Box 79, Pentera Chambers, Century Buildings, St Helier, Jersey JE4 8PS, Channel Islands or at such other place as is specified for that purpose in the notice of meeting issued by the Company not later than 24 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll, before the time appointed for taking the poll and, in default, the instrument shall not be treated as valid.
3. Completion of the instrument appointing a proxy does not preclude a member from subsequently attending and voting at the meeting in person if he/she so wishes.
4. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority will be determined by the order in which the names stand in the register of members in respect of the joint holding.
5. Pursuant to Article 40 of the Companies (Uncertificated Securities) (Jersey) Order 1999, the Company specifies that only those members entered on the register of members of the Company as at 12.00pm on 27 October 2008 or, if the meeting is adjourned, 48 hours before the time fixed for the adjourned meeting shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after 12.00pm on 27 October 2008 or, if the meeting is adjourned, on the register of members 48 hours before the time fixed for the adjourned meeting shall be disregarded in determining the rights of any person to attend or vote at the meeting.

DRAGANFLY INVESTMENTS LIMITED

FORM OF PROXY

ANNUAL GENERAL MEETING

29 October 2008 at 12.00pm BST

I / We: (full name) of (address):

being a member of Draganfly Investments Limited, do hereby appoint:

(full name)

or failing him: (full name)

or failing him the Chairman of the Meeting as my / our proxy to attend the annual general meeting of Draganfly Investments Limited to be held at Pentera Chambers, Century Buildings, St Helier, Jersey JE4 8PS, Channel Islands on 29 October 2008 at 12.00pm BST or any adjournment thereof.

The proxy is to vote as follows:

Ordinary Resolutions	For*	Against*
1. THAT the following directors, who retire in accordance with Article [number] of the Articles of Association of the Company and who, being eligible, offer themselves for re-election, be re-elected as directors of the Company:		
(a) Mark Horrocks	<input type="checkbox"/>	<input type="checkbox"/>
(b) T Edward G Bayman	<input type="checkbox"/>	<input type="checkbox"/>
(c) Roy L Pitcher	<input type="checkbox"/>	<input type="checkbox"/>
(d) Jamie P Hamilton	<input type="checkbox"/>	<input type="checkbox"/>
2. THAT the Company's audited accounts for the period from 1 st May 2007 to 30 th April 2008 be adopted.	<input type="checkbox"/>	<input type="checkbox"/>
3. THAT no dividend be paid, the directors not having made any recommendation to do so.	<input type="checkbox"/>	<input type="checkbox"/>
4. THAT the appointment of Baker Tilly UK Audit LLP as auditor of the Company to hold office until the conclusion of the next annual general meeting be approved.	<input type="checkbox"/>	<input type="checkbox"/>

5.

THAT, notwithstanding statements made in the Company's AIM Admission Document, the Company's investments strategy be amended to read:

"Following Admission, the Company will, with the advice of the Investment Advisor, consider investment opportunities mainly in the natural resources, consumer products, technology and services sectors. These investment opportunities will primarily be in the UK and Europe, but may be made in any country worldwide. The investments may be in quoted or unquoted entities (including, for these purposes, entities quoted on AIM) or be interests in companies or other entities whose equity value is up to £1 billion. Particular consideration will be given to identifying investments which are, in the opinion of the Directors, under-performing or undervalued and where the Directors believe that the Company's or Investment Advisor's expertise and experience can be deployed to facilitate growth in or unlock inherent value from an Investee Company.

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The Company may invest in an unlisted entity even where the aggregate value of its investments in unlisted entities exceeds 50 per cent. of the Company's NAV. Generally the Company will have an expectation of a liquidity event (such as a trade sale or listing) in respect of that event occurring within 12 months after making that investment. The Company may however, at the Boards discretion, make investments where the expectation of a liquidity event taking place is longer than 12 months.

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The Company may borrow against its portfolio to increase its leverage. The Company's intention is that when it borrows, the aggregate of all such borrowing will not exceed 25 per cent. of the Company's NAV.

To assist the Directors in the investment decision making process, the Investment Advisor will carry out, or commission third parties to carry out, appropriate due diligence on proposed investments. This may include company visits, management interviews,



<p>researching the market position and strategy of potential Investee Companies, and carrying out a "SWOT" analysis and/or a financial evaluation of the Investee Company.</p> <p>The Directors anticipate that the resources of the Company will be fully invested within two years of Admission. In accordance with the AIM Rules, and for so long as the Company is deemed to be an Investing Company (as defined in the AIM Rules), proposals will be put to Shareholders annually in relation to the continuance of the Company's business.</p> <p>The Directors consider that it is possible that, as investments are made, and new investment opportunities arise, further funding of the Company may be sought.</p> <p>The Investment Advisor will provide the Board with monthly updates on the Company's unaudited NAV, investments made and prospective investments. The Company will also announce its unaudited NAV on a monthly basis through a Regulatory Information Service (as defined in the AIM Rules)."</p>		
Special Resolutions	For*	Against*
<p>6. THAT the current Articles of Association of the Company be deleted in their entirety and replaced by the adoption of new Articles of Association which can be downloaded from and have been posted on the Company's website since the date of the Notice of the Annual General Meeting at the following web address: www.draganflyinvestments.com.</p>	<input type="checkbox"/>	<input type="checkbox"/>

* please complete either "For" or "Against" for each resolution by marking "X" in each respective box. If no indication is given your proxy will have discretion to vote or to abstain (including on any other matter which may properly come before the meeting as he/she thinks fit).

If by an individual:

Signed:

Dated : 2008

if for and on behalf of a corporation:

Signed by:

for and on behalf of:

Position:

Dated: 2008

NOTES:

1. A member of the Company entitled to attend and vote at the meeting convened by the notice set out above is entitled to appoint a proxy to attend and, on a poll, to vote in his/her place. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company.

2. An instrument for the purposes of appointing a proxy is enclosed. To be valid, the instrument and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be received at PO Box 79, Pentera Chambers, Century Buildings, St Helier, Jersey JE4 8PS, Channel Islands or at such other place as is specified for that purpose in the notice of meeting issued by the Company not later than 24 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll, before the time appointed for taking the poll and, in default, the instrument shall not be treated as valid.
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Registration number 89889

Draganfly Investments Limited
Directors' report and financial statements
for the year ended 30 April 2008

Draganfly Investments Limited

Chairman's Statement

During the twelve months under review net assets have fallen from 2.64 pence per share on 30th April 2007 to 2.45 pence per share on 30th April 2008, a decline of 7.2% compared with the wider AIM market's decline of 17.2% during the same period.

Since the period end your company's unaudited net assets per share have not been wholly immune to the global credit crunch and stock market turmoil, declining a further 12.2% to 2.15p per share as at 30th September 2008. However, this remains in sharp contrast to the AIM All Share index which has declined by 36.4% during the same period.

This substantial outperformance provides the Board with encouragement at a time when liquidity in the quoted small companies sector remains extremely low, and share price volatility is commensurately high. Increasing levels of fund redemptions amongst the shareholder base of many of our investee companies have not helped the portfolio performance, but the strategy of investing patiently in companies which can deliver long term capital growth remains intact.

This strategy is borne out more evidently by the performance of the unquoted holdings within the portfolio, many of which continue to raise fresh capital away from the glare of the quoted sector, and despite difficult market conditions. The most encouraging feature is that these fund raising activities are achieving new price premia, highlighting the quality and significant upside potential within the existing portfolio. Most notable are Continental Petroleum Limited where we recently increased the holding value following a successful sequence of capital raisings, and Sino Gas and Energy Limited, which is making excellent progress in developing its Chinese Tight Gas resource base.

We remain confident that our unquoted portfolio companies are well-funded and have access to sufficient capital to see them through the challenge of current market conditions and beyond.

During the period under review we have traded the quoted portfolio more actively than hitherto, taking profits in Braemore Resources, Mercator Gold, and Acta SpA. We have also added to our holdings in Medicsight, Rheochem, and Accsys Technologies. We have not changed the Immedia position, but feel confident that the company has reached a key inflection point in its corporate development and look forward to the future with a sense of heightened optimism.

We have also made two new additions to the unquoted portfolio; Iofina, an emerging gas and iodine producer which successfully listed on the AIM shortly after the period end, and Atlantic Healthcare Limited, a pharmaceuticals company specialising in the development of gastro intestinal products. Both companies have substantial growth potential.

Since the period end we have re-invested in Braemore Resources and sold off the tail of the Mercator Gold holding. We have also reduced the Accsys Technologies holding in order to maintain a balanced portfolio.

Given the small scale of the asset base, the portfolio has remained concentrated throughout, resulting in a greater risk appetite and more volatility than traditional funds might experience. The total number of holdings is twelve, of which five are unquoted. These are shown as follows:

Continental Petroleum Limited
Sino Gas and Energy Limited

Draganfly Investments Limited

Finance Ireland
Microsaic Systems Limited
Atlantic Healthcare Limited

At present the portfolio comprises seven quoted holdings which are listed below:

Accsys Technologies
Braemore Resources
GB Group
Immedia Group
Iofina
Medicsight
Rheochem

Despite difficult market conditions your Board remain confident that the portfolio carries substantial upside potential and look forward to the future with optimism.

At the Company's forthcoming AGM shareholders will be asked consider and vote on a resolution modifying the Company's Investing Strategy. The main change is to allow the managers more flexibility in investing in unlisted entities such that the aggregate value of the Company's investments in unlisted entities may exceed 50 per cent. of the Company's NAV

Mark Horrocks

Chairman

Draganfly Investments Limited

Company information

Directors	T E G Bayman R L Pitcher J P Hamilton D Edmonds M Horrocks	Chairman
Secretary	Liburna Secretaries Limited	
Company number	89889	
Nominated Adviser	Landsbanki Securities UK Limited Beaufort House, 15, St Botolph Street, London EC3A 7QR	
Registered office	Pentera Chambers PO Box 79 Century Buildings, Patriotic Place St Helier Jersey JE4 8PS, Channel Islands	
Auditor	Baker Tilly UK Audit LLP Chartered Accountants 12 Gleneagles Court Brighton Road Crawley West Sussex RH10 6AD	
Bankers	Standard Bank Jersey Limited Standard Bank House PO Box 583, 47-49 La Motte Street St. Helier Jersey JE4 8XR	

Draganfly Investments Limited

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Draganfly Investments Limited

The directors present their report and the financial statements for the year ended 30 April 2008.

Principal activity

The principal activity of the company was as an investment trading and holding company.

Review of the business

The original investment brief is to run a small and focused portfolio of investments. The balance sheet total has fallen from £3,011,629 (2.64p per share) on 30 April 2007, to £2,799,440 (2.45p per share) on 30 April 2008. For year ended 30 April 2008 the company made a loss of £212,189 (2007 - loss of £150,547), which includes a realised net gain on sale of investments of £183,212 (2007 - loss of £69,202) and an unrealised loss on the company's investments of £127,257 (2007 - gain of £173,422).

At 30 April 2008, the company held thirteen investments, up from ten at 30 April 2007. Of these thirteen holdings, five were pre-IPO investments.

The company has a £400,000 credit facility to allow it to deliver continued improved returns to the shareholders. At 30 April 2008, £167,018 of this credit facility (as reduced by the security override to £351,066) was still available for use. The board is always alert to fresh investment opportunities but does not anticipate materially increasing the number of holdings at this stage. The board believes the current environment for small companies and pre-IPO investments remains very encouraging.

Dividends

The directors are unable to recommend payment of a dividend.

Risk management

Risks are considered across the following broad categories:

Strategic	Risks arising from the analysis, design and implementation of the Company's business model, and key decisions on investment levels and capital allocation.
Investment performance	Risks in respect of specific asset investment decisions, the subsequent of an investment or exposure concentrations across business sectors.
Treasury and funding	Risks arising from (i) uncertainty in market prices and rates, (ii) an inability to raise adequate funds to meet investment needs or meet obligations as they fall due, or (iii) inappropriate capital structure.
Operational	Risks arising from inadequate or failed processes, people and systems or from external factors affecting these.

Risk management is managed and monitored by the board. Given their fundamental significance to the company, investment and treasury and funding risks are managed by specific processes which are described below.

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Draganfly Investments Limited

Investment risk

The company invests across a range of economic sectors. The portfolio is subject to periodic reviews to ensure there is no undue exposure to any one sector. The valuation of the company's unquoted portfolio and opportunities for realisation depend to some extent on stock market conditions and the buoyancy of the wider mergers and acquisitions market.

Treasury and funding risk

The company's funding objective is that the funding of investment assets are primarily met from shareholders' funds.

Credit Risk

The company's financial assets are unsecured investments, in which the board considers the maximum credit risk to be the carrying value of the asset. The portfolio is diversified and credit risk is managed on an asset specific basis.

Liquidity risk

At 30 April 2007 the company had cash at bank of £316,782. During the financial period the company realised some of its investments but also responded to investment opportunities and as a result has an overdrawn bank position of £184,048 at 30 April 2008. The board continues to monitor the position closely.

Price risk

The valuation of unquoted investments depends upon a combination of market factors and the performance of the underlying asset. The company currently does not hedge the market risk inherent in the portfolio but manages asset performance risk on an asset specific basis.

Interest rate risk

The company invests in shares and other securities. The assets are funded with a mixture of mainly shareholders' funds and a bank overdraft. The board seeks to minimise interest rate exposure by minimising credit funding.

Currency exchange risk

The company holds investments in different countries and currencies. There is therefore an inherent risk that exchange rate fluctuations will adversely affect the portfolio value. The board does not hedge this risk specifically as it believes that there is no exposure to any particular currency.

Payments of creditors

The company aims to pay all suppliers within the payment terms negotiated with each individual supplier. At 30 April 2007 and 2008, there were no trade creditors payable.

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Draganfly Investments Limited

Directors and their interests

The directors who served during the year and their interests in the company are as stated below:

	Class of share	30/04/08	30/04/07
P C Harris (resigned 25 January 2008)	Ordinary shares	-	-
J D Melia (resigned 25 January 2008)	Ordinary shares	-	-
J F Bale (resigned 25 January 2008)	Ordinary shares	-	-
T E G Bayman (appointed 25 January 2008)	Ordinary shares	-	-
R L Pitcher (appointed 25 January 2008)	Ordinary shares	-	-
J P Hamilton (appointed 25 January 2008)	Ordinary shares	-	-
D Edmonds	Ordinary shares	-	-
M Horrocks	Ordinary shares	5,666,667	5,666,667

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

The directors are responsible for preparing financial statements for each financial year which give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that year. In preparing these the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement as to disclosure of information to Auditors

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

This report was approved by the Board on 16 September 2008 and signed on its behalf by

T E G Bayman

Director

Draganfly Investments Limited

Independent Auditor's Report To The Members Of Draganfly Investments Limited

We have audited the financial statements which comprise the profit and loss account, balance sheet, cash flow statement and related notes.

This report is made solely to the company's members, as a body, in accordance with Article 110 of Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with Companies (Jersey) Law 1991. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition, we also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other

Draganfly Investments Limited

irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 30 April 2008 and of its loss for the year then ended and have been properly prepared in accordance with Companies (Jersey) Law 1991;
- the information given in the Directors' Report is consistent with the financial statements.

Baker Tilly UK Audit LLP

**Registered Auditor
Chartered Accountants
12 Gleneagles Court
Brighton Road
Crawley
West Sussex
RH10 6AD**

17 September 2008

Draganfly Investments Limited

Profit and loss account for the year ended 30 April 2008

		Continuing operations	
		Year ended 30/04/08	Year ended 30/04/07
		£	£
Turnover	2	61,580	110,970
Administrative expenses		(258,042)	(239,218)
Operating loss	3	<u>(196,462)</u>	<u>(128,248)</u>
Other interest receivable and similar income		1,346	21
Interest payable and similar charges	4	(17,073)	(22,320)
Loss on ordinary activities		<u>(212,189)</u>	<u>(150,547)</u>
There are no recognised gains or losses other than those included in the profit and loss account.			
Loss per share (pence)			
Basic	7	(0.19)	(0.13)
Diluted	7	<u>(0.19)</u>	<u>(0.13)</u>

The notes on pages 9 to 18 form an integral part of these financial statements.

Draganfly Investments Limited

Balance sheet as at 30 April 2008

	Notes	30/04/08		30/04/07	
		£	£	£	£
Current assets					
Debtors	8	5,022		4,157	
Investments	9	2,997,889		2,717,600	
Cash at bank and in hand		–		316,782	
		<u>3,002,911</u>		<u>3,038,539</u>	
Creditors: amounts falling due within one year					
Creditors	10	(19,423)		(26,910)	
Bank overdraft	10	(184,048)		–	
		<u>(203,471)</u>		<u>(26,910)</u>	
Net current assets			<u>2,799,440</u>		<u>3,011,629</u>
Total assets less current liabilities			<u>2,799,440</u>		<u>3,011,629</u>
Net assets			<u>2,799,440</u>		<u>3,011,629</u>
Capital and reserves					
Called up share capital	12		1,142,270		1,142,270
Share premium account	13		1,980,303		1,980,303
Profit and loss account	13		(323,133)		(110,944)
Equity shareholders' funds	14		<u>2,799,440</u>		<u>3,011,629</u>

The financial statements were approved and authorised for issue by the Board on 16 September 2008 and signed on its behalf by

Director

T E G Bayman

Date 16 September 2008

The notes on pages 9 to 18 form an integral part of these financial statements.

Draganfly Investments Limited

Cash flow statement for the year ended 30 April 2008

	Notes	Year ended 30/04/08 £	Year ended 30/04/07 £
Reconciliation of operating loss to net cash outflow from operating activities			
Operating loss		(196,462)	(128,248)
Realised (gain) / loss on sale of investments		(183,212)	69,202
Unrealised loss / (profit) on revaluation of investments		127,257	(173,422)
(Increase) in debtors		(865)	(4,157)
(Decrease) / increase in general creditors		(9,087)	14,410
Net cash outflow from operating activities		<u>(262,369)</u>	<u>(222,215)</u>
Cash flow statement			
Net cash outflow from operating activities		(262,369)	(222,215)
Returns on investments and servicing of finance	16	(14,127)	(22,299)
Capital expenditure and financial investment	16	(224,334)	832,029
(Decrease) / increase in cash in the year		<u>(500,830)</u>	<u>587,515</u>
Reconciliation of net cash flow to movement in net funds/(debt)(Note 17)			
(Decrease) / increase in cash in the year		(500,830)	587,515
Net funds / (debt) at 1 May 2007		316,782	(270,733)
Net (debt) / funds at 30 April 2008		<u>(184,048)</u>	<u>316,782</u>

Draganfly Investments Limited

Notes to the financial statements for the year ended 30 April 2008

1. Accounting policies

1.1. Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of certain investments, and in accordance with applicable accounting standards.

1.2. Investments

After initial recognition, investments, which are classified as held for trading, are measured at fair value. Gains or losses on investments held for trading are recognised in the profit and loss account.

1.3. Foreign currencies

The company's accounts are presented in sterling which is its functional currency. Transactions in foreign currencies are initially recorded at the rate of exchange prevailing at the date of the transaction. Assets and liabilities denominated in foreign currencies are retranslated at the balance sheet date with any exchange differences charged or credited to the profit and loss account.

1.4. 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 Controller 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 financial statements for the year ended 30 April 2008

..... continued

1.5. Financial instruments

Investments

The company manages its investments with a view to profiting from the receipt of dividends and changes in fair value of investments. Therefore all quoted investments and unquoted equity investments are designated as at fair value through the profit or loss and carried in the balance sheet at fair value. All investments are initially recognised at the fair value of the consideration given plus acquisition costs associated with the investment and held at this value until it is appropriate to measure fair value on a different basis.

Investments are fair valued using quoted market prices, independent appraisals, discounted cash flow analysis or other appropriate valuation models at the balance sheet date.

Quoted investments are stated at bid 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' as recommended by the British Venture Capital Association valuation guidelines, published August 2003:

- (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.

Cash and cash equivalents

Cash and cash equivalents are included in the balance sheet at cost. Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

Interest-bearing loans and borrowings

All loans and borrowings are recognised initially at cost, which is the fair value of the consideration received.

Short term debtors and creditors

Short term debtors and creditors are excluded from the disclosures required by Financial Reporting Standard 13, Derivatives and other financial instruments : disclosures.

2. Turnover

The total turnover of the company for the year has been derived from its principal activity and includes dividends received from investments and realised and unrealised profits and losses on investments.

Draganfly Investments Limited

**Notes to the financial statements
for the year ended 30 April 2008**

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	Year ended 30/04/08 £	Year ended 30/04/07 £
3. Operating loss		
Operating loss is stated after charging:		
Auditor's remuneration	12,774	10,000

Remuneration paid to auditors is solely in respect of audit services.

	Year ended 30/04/08 £	Year ended 30/04/07 £
4. Interest payable and similar charges		
Included in this category is the following:		
Interest payable on bank overdrafts	17,073	22,320

5. Employees

There were no employees during the year apart from the directors.

	Year ended 30/04/08 £	Year ended 30/04/07 £
6.1. Directors' remuneration		
The company paid consultancy fees as follows		
M Horrocks	12,500	12,500
D Edmonds	25,000	25,000
	<u>37,500</u>	<u>37,500</u>

Draganfly Investments Limited

**Notes to the financial statements
for the year ended 30 April 2008**

..... continued

6.2. Directors' share options

Director	Number of options				Exercise price	Date from which exercisable	Expiry date
	1 May 2007	Granted	Expired	30 April 2008			
M Horrocks	3,000,000	-	3,000,000	-	3p	29/04/2005	29/4/2008
D Edmonds	850,000	-	850,000	-	3p	29/04/2005	29/4/2008
	<u>3,850,000</u>	<u>-</u>	<u>3,850,000</u>	<u>-</u>			

Draganfly Investments Limited

**Notes to the financial statements
for the year ended 30 April 2008**

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7. Earnings per share

The basic earnings per ordinary share is calculated by dividing profit for the year less non-equity dividends and other appropriations in respect of non-equity shares by the weighted average number of equity shares outstanding during the year.

The diluted earnings per ordinary share is calculated by dividing profit for the year less non-equity dividends and other appropriations in respect of non-equity shares by the weighted average number of equity shares outstanding during the year (after adjusting both figures for the effect of dilutive potential ordinary shares).

The calculation of basic earnings per ordinary share is based upon the following data:

<i>Earnings</i>	2008	2007
	£	£
Earnings for the purposes of basic earnings per share and diluted earnings per share	(212,189)	(150,547)

<i>Number of shares</i>	2008	2007
	£	£
Basic weighted average number of shares	114,227,000	114,227,000
Weighted average number of shares for the purposes of diluted earnings per share	114,227,000	114,227,000

At 30 April 2007 there were 6,850,000 share options in issue which could have potentially diluted basic earnings per share but which were not included in the calculation of diluted earnings per share because they are antidilutive in the year as the exercise price exceeded the average share price. At 30 April 2008, all share options had expired.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the approval of these financial statements.

Draganfly Investments Limited

**Notes to the financial statements
for the year ended 30 April 2008**

..... continued

8. Debtors	30/04/08 £	30/04/07 £
Prepayments and accrued income	5,022	4,157

9. Current asset investments	Quoted £	Unquoted £	Total £
The carrying value of investments is stated as follows:			
Fair value of investments at 1 May 2007	2,081,170	636,430	2,717,600
Costs of investment purchases in the period	1,190,157	400,000	1,590,157
Sale proceeds of investments sold in the period	(1,365,823)	-	(1,365,823)
Realised gains on sale of investments included in turnover	183,212	-	183,212
	2,088,716	1,036,430	3,125,146
Unrealised change in fair value of investments held at 30 April 2008 included in turnover	(684,450)	557,193	(127,257)
Fair value of investments at 30 April 2008	1,404,266	1,593,623	2,997,889

10. Creditors: amounts falling due within one year	30/04/08 £	30/04/07 £
Bank overdraft	184,048	-
Accruals and deferred income	19,423	26,910
	203,471	26,910

The bank overdraft totalling £184,048 (2007 - £-) is secured by a debenture on the bank's standard form, and a charge over a portfolio of the company's securities held by the bank which at 30 April 2008 had a value of £1,404,266 (2007 - £2,081,170).

£167,018 of the company's overdraft facility of £400,000 (as reduced by the security override in clause 7 of the facility letter to £351,066) was unutilised as at 30 April 2008. The overdraft facility is subject to annual review and the next review is on 14 February 2009.

Draganfly Investments Limited

Notes to the financial statements for the year ended 30 April 2007

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11. Financial risk management objectives and policies

The company's risk management objective is that the funding of investment assets is primarily met from shareholders' funds.

Interest Rate Risk

The company invests in shares and other securities. The assets are funded with a mixture of mainly shareholders' funds and a bank overdraft. The board seeks to minimise interest rate exposure by minimising the credit funding.

Credit Risk

The company's financial assets are unsecured investments, in which the board considers the maximum credit risk to be the carrying value of the asset. The portfolio is diversified and credit risk is managed on an asset specific basis by the board.

Liquidity Risk

At 30 April 2007 the company had cash at bank of £316,782. During the financial period the company realised some of its investments but also responded to investment opportunities and as a result has an overdrawn bank position of £184,048 at 30 April 2008. The board continues to monitor the position closely.

Currency exchange risk

The company holds investments in different countries and currencies. There is therefore an inherent risk that exchange rate fluctuations will adversely affect the portfolio value. The board does not hedge this risk specifically as it believes that there is no exposure to any particular currency.

Draganfly Investments Limited

Notes to the financial statements for the year ended 30 April 2008

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12. Share capital	30/04/08 £	30/04/07 £
Authorised equity		
1,000,000,000 Ordinary shares of £0.01 each	1,000,000	10,000,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid equity		
114,227,000 Ordinary shares of £0.01 each	1,142,270	1,142,270
	<u> </u>	<u> </u>
Equity Shares		
114,227,000 Ordinary shares of £0.01 each	1,142,270	1,142,270
	<u> </u>	<u> </u>

At 30 April 2008 there existed the following share options for unissued ordinary shares.

1 May 2007	Number of options		30 April 2008	Exercise price	Date from which exercisable	Expiry Date
	Granted	Expired				
6,850,000	–	6,850,000	–	3p	29/04/2005	29/04/2008
<u>6,850,000</u>	<u>–</u>	<u>6,850,000</u>	<u>–</u>			

13. Equity Reserves	Share premium account £	Profit and loss account £	Total £
At 1 May 2007	1,980,303	(110,944)	1,869,359
Loss for the year	–	(212,189)	(212,189)
At 30 April 2008	<u>1,980,303</u>	<u>(323,133)</u>	<u>1,657,170</u>

Draganfly Investments Limited

Notes to the financial statements for the year ended 30 April 2008

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14. Reconciliation of movements in equity shareholders' funds	30/04/08	30/04/07
	£	£
Loss for the year	(212,189)	(150,547)
Net reduction in shareholders' funds	(212,189)	(150,547)
Opening shareholders' funds	3,011,629	3,162,176
Closing shareholders' funds	<u>2,799,440</u>	<u>3,011,629</u>

15. Related party transactions

The company owns a 20% holding in Millpath Limited, a company which provides investment advice to Draganfly Investments Limited, for which it has been paid £120,000 (2007:£120,000).

M Horrocks and D Edmonds, directors, have had share options as set out in Note 6.2

During the year the company paid fees of £12,994 (2007 - £16,300) to Walkers, a law firm in which P Harris and J Melia are partners, and its group companies, including Walkers Jersey Limited (formerly named Walkers Secretaries Limited). P Harris and J Melia served as directors of the group companies until 11 April 2007. The company has incurred fees of £5,823 (2007-£-) to Pentera Trust Company Limited, a trust company of which T E G Bayman, R L Pitcher and J P Hamilton are directors and majority shareholders.

16. Gross cash flows

	30/04/08	30/04/07
	£	£
Returns on investments and servicing of finance		
Interest received	1,346	21
Interest paid	(15,473)	(22,320)
	<u>(14,127)</u>	<u>(22,299)</u>
Capital expenditure and financial investment		
Payment for current asset investment	(1,590,157)	(645,122)
Receipts from sales of investments	1,365,823	1,477,151
	<u>(224,334)</u>	<u>832,029</u>

Draganfly Investments Limited

**Notes to the financial statements
for the year ended 30 April 2008**

..... continued

17. Analysis of changes in net funds/(debt)

	Opening balance	Cash flows	Closing balance
	£	£	£
Cash at bank and in hand	316,782	(316,782)	–
Overdrafts	–	(184,048)	(184,048)
	<u>316,782</u>	<u>(500,830)</u>	<u>(184,048)</u>
Net funds / (debt)	<u>316,782</u>	<u>(500,830)</u>	<u>(184,048)</u>