

DRAGANFLY INVESTMENTS LIMITED

NOTICE

ANNUAL GENERAL MEETING

23rd November 2012 at 11.30am GMT

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 23rd November 2012 at 11.30am GMT 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 96 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:

Dennis Edmonds

2. THAT the Company's audited accounts for the period from 1st May 2011 to 30th April 2012 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.

By Order of the Board of Directors:



LIBURNA SECRETARIES LIMITED

as secretary of

DRAGANFLY INVESTMENTS LIMITED

Date: 31 OCTOBER 2012

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 Computershare Investor Services PLC, The Proxy Team, The Pavilions, Bridgewater Road, Bristol, BS99 6ZY or at such other place as is specified for that purpose in the notice of meeting issued by the Company not later than 48 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 close of business on the 21st November 2012 or, if the meeting is adjourned, as at close of business two days prior to the day 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 close of business on the 21st November 2012 or, if the meeting is adjourned, on the register of members as at close of business two days prior to the day fixed for the adjourned meeting shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Form of Proxy - Annual General Meeting to be held on 23 November 2012

To be effective, all proxy appointments must be lodged with the Company's Registrars at:
 c/o The Pavilions, Bridgwater Road, Bristol BS99 6ZY by 21 November 2012 at 11.30 am.

Explanatory Notes:

1. Every holder has the right to appoint some other person(s) of their choice, who need not be a shareholder, as his proxy to exercise all or any of his rights, to attend, speak and vote on their behalf at the meeting. If you wish to appoint a person other than the Chairman, please insert the name of your chosen proxy holder in the space provided (see reverse). If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name (see reverse) the number of shares in relation to which they are authorised to act as your proxy. If returned without an indication as to how the proxy shall vote on any particular matter, the proxy will exercise his discretion as to whether, and if so how, he votes (or if this proxy form has been issued in respect of a designated account for a shareholder, the proxy will exercise his discretion as to whether, and if so how, he votes).
2. To appoint more than one proxy, an additional proxy form(s) may be obtained by contacting the Registrar's helpline on 0870 707 4040 or you may photocopy this form. Please indicate in the box next to the proxy holder's name (see reverse) the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by marking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
3. The 'Vote Withheld' option overleaf is provided to enable you to abstain on any particular resolution. However, it should be noted that a 'Vote Withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.
4. Pursuant to Article 40 of the Companies (Uncertificated Securities) (Jersey) Order 1999, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at close of business on the day which is two days before the day of the meeting. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.
5. The above is how your address appears on the Register of Members. If this information is incorrect please ring the Registrar's helpline on 0870 707 4040 to request a change of address form or go to www.investorcentre.co.uk/je to use the online Investor Centre service.
6. Any alterations made to this form should be initialled.
7. The completion and return of this form will not preclude a member from attending the meeting and voting in person.

Kindly Note: This form is issued only to the addressee(s) and is specific to the unique designated account printed hereon. This personalised form is not transferable between different: (i) account holders; or (ii) uniquely designated accounts. The Company and Computershare Investor Services (Jersey) Limited accept no liability for any instruction that does not comply with these conditions.

All Named Holders

Form of Proxy

Please complete this box only if you wish to appoint a third party proxy other than the Chairman.
Please leave this box blank if you want to select the Chairman. Do not insert your own name(s).



I/We hereby appoint the Chairman of the Meeting OR the person indicated in the box above as my/our proxy to attend, speak and vote in respect of my/our full voting entitlement* on my/our behalf at the Annual General Meeting of Draganfly Investments Limited to be held at **Pentera Chambers, Century Buildings, St Helier, Jersey JE4 8PS** on 23 November 2012 at **11.30 am**, and at any adjourned meeting.

* For the appointment of more than one proxy, please refer to Explanatory Note 2 (see front).

Please mark here to indicate that this proxy appointment is one of multiple appointments being made.

Please use a black pen. Mark with an X inside the box as shown in this example.



Ordinary Resolutions

- | | For | Against | Vote
Withheld |
|---|--------------------------|--------------------------|--------------------------|
| 1. That the following directors, who retire in accordance with Article 96 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 - Dennis Edmonds. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <hr/> | | | |
| 2. That the Company's audited accounts from the period 1st May 2011 to 30th April 2012 be adopted. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <hr/> | | | |
| 3. That no dividend be paid, the directors not having made any recommendation to do so. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <hr/> | | | |
| 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"/> | <input type="checkbox"/> |

I/We instruct my/our proxy as indicated on this form. Unless otherwise instructed the proxy may vote as he or she sees fit or abstain in relation to any business of the meeting.

Signature

Date

DD / MM / YY

In the case of a corporation, this proxy must be given under its common seal or be signed on its behalf by an attorney or officer duly authorised, stating their capacity (e.g. director, secretary).



Registration number 89889

Draganfly Investments Limited
Directors' report and financial statements
for the year ended 30 April 2012

Dragonfly Investments Limited

Company information

| | | |
|--------------------------|--|-----------------|
| Directors | T E G Bayman J P Hamilton D Edmonds M Horrocks | Chairman |
| Secretary | Libuma Secretaries Limited | |
| Company number | 89889 | |
| Nominated Adviser | Finncap 60 New Broad Street London EC2M 1JJ | |
| Registered office | Pentara 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 | Deutsche Bank International Limited PO Box 727, St. Paul's Gate New Street, St Helier Jersey JE4 8ZB | |
| Custodian | Cenkos Channel Islands, PO Box 419, 27 Hill Street, St Helier, Jersey, JE4 5HQ | |

Draganfly Investments Limited

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Draganfly Investments Limited

Chairman's Statement Year Ending 30 April 2012

During the 12 months under review net assets have decreased from 1.03 pence per share to 0.67 pence per share, a decline of 35%.

This represents significant underperformance compared with the wider AIM market during the period under review, and reflects the stock specific and concentrated nature of the portfolio. Consequently, portfolio liquidity has reduced following heavy declines amongst the quoted stocks in the portfolio, most notably Motive Television PLC.

Trading activity during the period was characterised by two-way trade in Sirius Minerals PLC and URU Metals Limited. In addition we increased shareholdings in Motive Television PLC, and Royal Resources Limited (ASX), and closed our positions in Sino Gas and Energy, Petaquilla Minerals LTD, and Microsaic Systems PLC. The core quoted portfolio during the period under review constituted of Immedia PLC, URU, MTV, Sirius Minerals, and Royal Resources.

Whilst we are disappointed with the share price performance of our quoted shareholdings, we believe prospects for the portfolio remain encouraging. Our media shareholdings are pushing hard on new business leads, and our mining stocks continue to demonstrate high growth potential.

Turning to our remaining private shareholding, Atlantic Healthcare, we are happy to report that the company is progressing very well against its objectives. The company continues to demonstrate high levels of investor support and confidence, and in April 2012, successfully closed a £1.0m funding round for the continued commercialisation of its core gastro-intestinal product, alicaforsen, and the further development of out-licensing agreements for the USA. Last year we announced that the company had begun treating patients and generating revenues, and we are delighted that this trend has continued throughout the period under review and beyond.

We remain very excited by the strong progress made by Atlantic, and look forward to keeping shareholders up to date with the next phase of the company's development. Since the period end we have continued to trade URU, closed our position in Sirius Minerals, and added a new shareholding in the form of Strategic Minerals PLC. Despite the disappointing year, we continue looking forward to the future with optimism and thank our shareholders for their support.

Finally, we would like to express our heartfelt condolences to the family and friends of our colleague, Roy Pitcher, who passed away in August 2012. Roy will be sadly missed.

Mark Horrocks

Draganfly Investments Limited

Directors' Report For the year ended 30 April 2012

The directors present their report and the financial statements for the year ended 30 April 2012.

Principal activity

The principal activity of the company was as an investment trading and holding company. The company is registered and managed in Jersey.

Review of the business and future developments

The original investment brief is to run a small and focused portfolio of investments. The balance sheet total has decreased from £1,173,644 (1.03p per share) on 30 April 2011, to £839,553 (0.67p per share) on 30 April 2012. For the year ended 30 April 2012 the company made a loss of £448,091 (2011 - profit of £261,985), which includes a realised net loss on sale of investments of £4,170 (2011 - loss of £375,955) and an unrealised loss on the company's investments of £349,510 (2011 - gain of £735,084) 100% of which has arisen from the liquid investments.

On 28 November 2011 the company carried out a placing with existing shareholders, and issued 11,400,000 1p ordinary shares for consideration of £114,000.

The key performance indicator used to monitor the progress of the business is net assets per share.

At 30 April 2012, the company held seven investments, two fewer than 30 April 2011. Of these seven holdings, two were pre-IPO investment.

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 | Risks in respect of specific asset investment decisions, the subsequent performance 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. |

Draganfly Investments Limited

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

The company is also exposed to market price risk, credit risk, foreign currency risk and liquidity risk. An explanation of these risks and how they are managed is set out in note 10 to the financial statements.

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 is primarily met from shareholders' funds.

Payments of creditors

The company aims to pay all suppliers within the payment terms negotiated with each individual supplier. At 30 April 2011 and 2012, there were no trade creditors payable.

Directors and their interests

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

| | Class of share | 30/04/12 | 30/04/11 |
|-----------------------------------|-----------------|-----------|-----------|
| T F G Bayman | Ordinary shares | - | - |
| R L Pitcher (died 31 August 2012) | Ordinary shares | - | - |
| J P Hamilton | 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 Directors' report and the financial statements in accordance with applicable law and regulations.

Jersey company law requires the directors to prepare financial statements for each financial year in accordance with generally accepted accounting principles. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards.

The financial statements of the company are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the company's financial statements, the directors should:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with United Kingdom Accounting Standards;

Draganfly Investments Limited

- d. 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 adequate accounting records that are sufficient to show and explain the company's transactions and are such as to disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of 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 financial information included on the company's website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement as to disclosure of information to Auditor

The directors who were in office on the date of approval of these financial statements have each confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is 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 16th Oct 2015 and signed on its behalf by TIG BAYMAN



Director

Draganfly Investments Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DRAGANFLY INVESTMENTS LIMITED

We have audited the financial statements on pages 8 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (FRSs)

This report is made solely to the company's members, as a body, in accordance with Article 113A of the 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

As more fully explained in the Directors' Responsibilities Statement set out on pages 5 to 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements within them.

Scope of the audit

A description of the scope of an audit of financial statements arising from the requirements of International Standards of Auditing (UK and Ireland) is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the financial statements

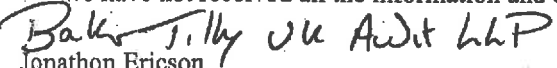
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2012 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit


Jonathon Ericson

For and on behalf of BAKER TILLY UK AUDIT LLP, Auditor

Chartered Accountants and Registered Auditor

12 Gleneagles Court

Brighton Road

Crawley RH10 6AD

Date 18/10/12

Draganfly Investments Limited

Profit and loss account for the year ended 30 April 2012

| | Notes | Continuing Operations | |
|---|-------|-----------------------|-----------------------|
| | | Year End 30/4/12 £ | Year End 30/4/11 £ |
| Realised and unrealised change in Fair Value of investments | 7 | (353,680) | 359,129 |
| Income | 2 | <u>34</u> | <u>31</u> |
| | | (353,646) | 359,160 |
| Administrative expenses | | <u>(94,445)</u> | <u>(97,175)</u> |
| Operating (loss)/profit | 3 | (448,091) | 261,985 |
| Interest payable and similar charges | | - | - |
| (Loss)/profit on ordinary activities | | <u>(448,091)</u> | <u>261,985</u> |

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

(Loss)/earnings per share (pence)

| | | | |
|---------|---|---------------|-------------|
| Basic | 6 | <u>(0.38)</u> | <u>0.23</u> |
| Diluted | 6 | <u>(0.38)</u> | <u>0.23</u> |

Draganfly Investments Limited

Balance sheet as at 30 April 2012

| | Notes | 30/04/12 | | 30/04/11 | |
|---|-------|-----------------|--------------------|-----------------|--------------------|
| | | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Investments | 7 | | 859,900 | | 1,065,802 |
| Current assets | | | | | |
| Debtors | 8 | 5,150 | | 6,004 | |
| Cash at bank and in hand | | 3,121 | | 116,114 | |
| | | <u>8,271</u> | | <u>122,118</u> | |
| Creditors: amounts falling due within one year | | | | | |
| | 9 | <u>(28,618)</u> | | <u>(14,276)</u> | |
| Net current (liabilities)/ assets | | | <u>(20,347)</u> | | <u>107,842</u> |
| Total assets less current liabilities | | | <u>839,553</u> | | <u>1,173,644</u> |
| Net assets | | | <u>839,553</u> | | <u>1,173,644</u> |
| Capital and reserves | | | | | |
| Called up share capital | 11 | | 1,256,270 | | 1,142,270 |
| Share premium account | 12 | | 1,980,303 | | 1,980,303 |
| Profit and loss account | 12 | | <u>(2,397,020)</u> | | <u>(1,948,929)</u> |
| Equity shareholders' funds | 13 | | <u>839,553</u> | | <u>1,173,644</u> |

The financial statements were approved and authorised for issue by the Board on 16th October 2012 and signed on its behalf by *TER BAYMAN*

Director

Draganfly Investments Limited

Cash flow statement for the year ended 30 April 2012

| | Notes | Year ended 30/04/12 £ | Year ended 30/04/11 £ |
|---|-------|-----------------------------|-----------------------------|
| Reconciliation of operating (loss)/ profit to net cash outflow from operating activities | | | |
| Operating (loss)/profit | | (448,091) | 261,985 |
| Realised (loss)/profit on sale of investments | | 4,170 | 375,955 |
| Unrealised (loss)/gain on revaluation of investments | | 349,510 | (735,084) |
| Decrease/(increase) in debtors | | 854 | (1,928) |
| Increase/(decrease) in creditors | | 14,342 | (39,279) |
| Net cash outflow from operating activities | | (79,215) | (138,351) |
| Cash flow statement | | | |
| Net cash outflow from operating activities | | (79,215) | (138,351) |
| Capital expenditure and financial investment | 15 | (147,778) | 248,635 |
| Financing issue of ordinary share capital | 11 | 114,000 | - |
| (Decrease)/increase in cash in the year | | (112,993) | 110,284 |
| Reconciliation of net cash flow to movement in net funds | | | |
| (Decrease)/increase in cash in the year | 16 | (112,993) | 110,284 |
| Net funds at 1 May 2011 | 16 | 116,114 | 5,830 |
| Net funds at 30 April 2012 | 16 | 3,121 | 116,114 |

Draganfly Investments Limited

Notes to the financial statements for the year ended 30 April 2012

1. Accounting policies

1.1. Accounting convention

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

1.2. Going concern basis of accounting

The company's business activities, together with the factors likely to affect its future development and financial position are set out in the Chairman's statement, the review of the business on page 4 and in the risk management disclosures on pages 4 to 5 and in note 10.

The company's investments in quoted securities, which are readily realisable enable the company to maintain its liquidity and it is therefore well placed to manage its financial risks and in ensuring it can meet its obligations as they fall due.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for a minimum period of at least 12 months from the date of approval of the financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

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 is eligible to pay Jersey tax at the standard rate of 0% and consequently, no provision for taxation, either current or deferred, has been made in these financial statements.

1.5. Financial instruments

Financial assets and liabilities are recognised in the balance sheet when the company has become party to the contractual provisions of the instrument.

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.

Draganfly Investments Limited

Notes to the financial statements for the year ended 30 April 2012

1.5. Financial instruments (continued)

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' in accordance with the International Private Equity and Venture Capital Valuation Guidelines, published in September 2009.

- (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.
- (iii) 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 are comprised wholly of prepayments and as such do not satisfy the definition of a financial asset as a prepayment does not give the company right to receive cash in the future.

Short term creditors comprise accrued costs at the year end, which do satisfy the definition of a financial liability as they create an obligation for the company to pay cash in the future, and are recognised at cost.

1.6. Income

Interest income is recognised on a time apportionment basis. Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

Draganfly Investments Limited

Notes to the financial statements for the year ended 30 April 2012

2. Income

The income of the company for the year comprises:

| | Year ended 30/04/12 £ | Year ended 30/04/11 £ |
|------------------------|--------------------------------|--------------------------------|
| Bank interest received | <u>34</u> | <u>31</u> |

3. Operating (loss)/profit

| | Year ended 30/04/12 £ | Year ended 30/04/11 £ |
|--|--------------------------------|--------------------------------|
| Operating (loss)/profit is stated after charging: | | |
| Auditor remuneration | <u>12,229</u> | <u>13,424</u> |

Remuneration paid to the auditor is solely in respect of audit services.

4. Employees

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

5. Directors' remuneration

| | Year ended 30/04/12 £ | Year ended 30/04/11 £ |
|---|--------------------------------|--------------------------------|
| The company paid consultancy fees as follows: | | |
| D Edmonds | <u>12,500</u> | <u>12,500</u> |
| | <u>12,500</u> | <u>12,500</u> |

The services of the other three directors are made available by Pentera Trust Company Limited within the fees disclosed in note 14. The cost of the directors' services included within these fees is £767 (2011: £750),

Dragonfly Investments Limited

Notes to the financial statements for the year ended 30 April 2012

6. (Loss)/earnings per share

The basic (loss)/earnings per ordinary share is calculated by dividing the (loss)/profit for the year by the weighted average number of equity shares outstanding during the year.

The diluted (loss)/earnings per ordinary share is calculated by dividing the (loss)/profit for the year 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 the basic (loss)/earnings per ordinary share is based upon the following data:

| <i>(Loss)/earnings</i> | 30/04/12 | 30/04/11 |
|---|--------------------|--------------------|
| | £ | £ |
| (Loss)/earnings for the purposes of basic earnings per share and diluted earnings per share | <u>(448,091)</u> | <u>261,985</u> |
| | | |
| <i>Number of shares</i> | 30/04/12 | 30/04/11 |
| Basic weighted average number of shares | <u>119,100,770</u> | <u>114,227,000</u> |
| Weighted average number of shares for the purposes of diluted earnings per share | <u>119,100,770</u> | <u>114,227,000</u> |

There have been no 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 2012

7. Fixed asset investments

| The carrying value of investments is stated as follows: | Quoted £ | Unquoted £ | Total £ |
|--|-----------------------|-----------------------|-----------------------|
| Fair value of investments at 1 May 2011 | 681,407 | 384,375 | 1,065,782 |
| Costs of investment purchases in the period | 597,302 | - | 597,302 |
| Disposals of investments sold in the period at fair value | (419,078) | (30,446) | (449,524) |
| | <u>859,631</u> | <u>353,929</u> | <u>1,213,560</u> |
| Realised (losses) /profits on sale of investments included in the profit and loss account | (34,616) | 30,446 | (4,170) |
| Unrealised change in fair value of investments held at 30 April 2012 included in the profit and loss account | (349,510) | - | (349,510) |
| | <u>(384,126)</u> | <u>30,446</u> | <u>(353,680)</u> |
| Fair value of portfolio investments at 30 April 2012 | 475,505 | 384,375 | 859,880 |
| Millpath Limited | - | 20 | 20 |
| Fair value of total investments at 30 April 2012 | <u>475,505</u> | <u>384,395</u> | <u>859,900</u> |

None of the investments were 20% or more of the nominal value of any class of shares held, except for Millpath Limited (see note 14).

8. Debtors

| | 30/04/12 £ | 30/04/11 £ |
|-------------|---------------|---------------|
| Prepayments | <u>5,150</u> | <u>6,004</u> |

9. Creditors: amounts falling due within one year

| | 30/04/12 £ | 30/04/11 £ |
|------------------------------|---------------|---------------|
| Accruals and deferred income | <u>28,618</u> | <u>14,276</u> |

Draganfly Investments Limited

Notes to the financial statements for the year ended 30 April 2012

10. Financial risk management objectives and policies

Capital Management

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

The company considers its capital to include share capital, share premium account and profit and loss account. The company has not made any changes to its capital management during the year, and has no externally imposed capital requirements.

Interest Rate Risk

The company invests in shares and other securities. The assets are funded by shareholders' funds. The board seeks to minimise interest rate exposure by managing cash to avoid borrowings. There are no borrowings at the balance sheet date (2011: nil) and therefore no exposure to interest rate risk.

Credit Risk

The company's maximum credit risk exposure relates to cash balances, and the directors do not consider there to be any other concentration of credit risk.

Cash is held with at least AA rated institutions.

Liquidity Risk

The principal risk to which the company is exposed is liquidity risk. The nature of the company's activities means it finances its operations from equity raised from investors. The principal cash requirements are for funding new investments and meeting administrative costs. The company seeks to manage liquidity by careful cost control. Adverse market conditions may delay realisations and in these circumstances the company may also find it difficult to raise additional capital.

The company's investments in quoted securities, which are readily realisable (see note 7), enable the company to manage liquidity.

Investment (market price) Risk

Equity investments are held to achieve capital growth in their value with the intention of subsequent disposal at a profit. The main risk arising from the equity investments is the market price risk. The company seeks to manage investment risk by using investment appraisal techniques and monitoring the status of investments closely.

The investment manager actively monitors market prices, and the progress of investee companies, and reports to the Board, which meets regularly.

Draganfly Investments Limited

Notes to the financial statements for the year ended 30 April 2012

10. Financial risk management objectives and policies (continued)

The company's strategy on the management of investment risk overall is outlined in the Directors' Report on page 4 and 5.

Investments in unquoted companies pose a higher risk than quoted companies, and AIM quoted companies by their nature pose higher risks than main market investments. The directors mitigate the higher risk by close contact with the management of investee companies.

The impact of a 5% change in the valuation of the investments would be as follows:

| | 30/04/12 | 30/04/11 |
|---|---------------|---------------|
| | £ | £ |
| Impact on equity and loss for the year: | | |
| Quoted stocks | +/- 23,775 | 34,070 |
| Unquoted stocks | +/- 19,219 | 19,219 |
| | <u>42,994</u> | <u>53,289</u> |

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.

The impact of a 10% change in currency exchange rates on the company's investments denominated in foreign currency would be as follows:

| | 30/04/12 | 30/04/11 |
|---|-------------------|--------------|
| | £ | £ |
| Impact on equity and loss for the year: | | |
| Australian dollar exchange rate against £ | +/- <u>13,634</u> | <u>1,369</u> |

Draganfly Investments Limited

**Notes to the financial statements
for the year ended 30 April 2012**

10. Financial risk management objectives and policies (continued)

Financial assets and liabilities comprise:

| | 30/04/12 | 30/04/11 |
|--|----------------|------------------|
| | £ | £ |
| Fixed asset investments at fair value through profit or loss | 859,900 | 1,065,802 |
| Cash | <u>3,121</u> | <u>116,114</u> |
| Financial assets | <u>863,021</u> | <u>1,181,916</u> |
| Accruals and deferred income at amortised cost | <u>28,618</u> | <u>14,276</u> |
| Financial liabilities | <u>28,618</u> | <u>14,276</u> |

In the opinion of the directors there are no significant concentrations of credit risk. The fair value of financial liabilities held at amortised cost is not considered to be materially different from their carrying value.

The fair value hierarchy of the company's financial assets is as follows:

| | Level 1 'Quoted Prices' £ | Level 2 'Observable Inputs' £ | 30/04/12 Level 3 'Unobservable Inputs' £ | Total £ |
|------------------------------------|------------------------------------|--|--|----------------|
| Financial assets | | | | |
| Fair value through profit and loss | <u>475,505</u> | <u>384,395</u> | <u>-</u> | <u>859,900</u> |

There are no liabilities held at fair value through profit and loss.

Financial assets and liabilities measured at fair value are disclosed using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurements as follows:

- Level 1 – Unadjusted quoted bid prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability
- Level 3 – Inputs that are not based on the observable market data

All gains and losses recognised in the profit and loss account for the year are included in 'Realised and unrealised changes in fair value of investments'.

Draganfly Investments Limited

Notes to the financial statements for the year ended 30 April 2012

11. Share capital

| | 30/04/12 £ | 30/04/11 £ |
|--|-------------------|-------------------|
| Authorised equity | | |
| 1,000,000,000 Ordinary shares of £0.01 each | <u>10,000,000</u> | <u>10,000,000</u> |
| Allotted, called up and fully paid equity | | |
| 125,627,000 (2011:114,227,000) Ordinary shares of £0.01 each | <u>1,256,270</u> | <u>1,142,270</u> |
| Equity Shares | | |
| 125,627,000 (2011:114,227,000) Ordinary shares of £0.01 each | <u>1,256,270</u> | <u>1,142,270</u> |

The movement in ordinary share capital during the year can be summarised as follows:

| | No. of shares | £ |
|------------------|--------------------|------------------|
| At 1 May 2011 | 114,227,000 | 1,142,270 |
| Issue of shares | <u>11,400,000</u> | <u>114,000</u> |
| At 30 April 2012 | <u>125,627,000</u> | <u>1,256,270</u> |

12. Equity Reserves

| | Share premium account £ | Profit and loss account £ | Total £ |
|---------------------|----------------------------------|---------------------------------|------------------|
| At 1 May 2011 | 1,980,303 | (1,948,929) | 31,374 |
| (Loss) for the year | - | <u>(448,091)</u> | <u>(448,091)</u> |
| At 30 April 2012 | <u>1,980,303</u> | <u>(2,397,020)</u> | <u>(416,717)</u> |

13. Reconciliation of movements in equity shareholders' funds

| | 30/04/12 £ | 30/04/11 £ |
|---|------------------|------------------|
| (Loss)/profit for the year | (448,091) | 261,985 |
| Proceeds from issue of share capital | 114,000 | - |
| Net (reduction in)/additions to shareholders' funds | <u>(334,091)</u> | <u>261,985</u> |
| Opening shareholders' funds | 1,173,644 | 911,659 |
| Closing shareholders' funds | <u>839,553</u> | <u>1,173,644</u> |

Draganfly Investments Limited

Notes to the financial statements for the year ended 30 April 2012

14. Related party transactions

During the year the company paid fees of £22,409 (2011 - £20,375) to Pentera Trust Company Limited for administration and bookkeeping services under an administration agreement dated 30 June 2008. Pentera Trust Company Limited is a company of which T E G Bayman, R L Pitcher and J P Hamilton are directors and majority shareholders.

The Company owns a 20% holding in Millpath Limited, a company incorporated in England which provides investment advice to Draganfly Investments Limited, for which it was paid £nil in the year (2011: £nil). The Company has no influence over Millpath Limited and has waived any entitlement to dividends. Millpath is not therefore treated as an associated company.

On 28 November 2011 4,950,000 ordinary shares were issued as part of the placing to Dusko Lukic, who is a director of Millpath Limited.

As at 30 April 2012 (and 30 April 2011) Mark Horrocks had personal and family holdings in Immedia Group plc amounting to 21.7% of the share capital. Draganfly Investments Limited has 6.7% of the share capital of Immedia Group plc.

In connection with the placing of shares in the year, the company paid fees of £5,700 to Intrinsic Capital LLP which is under the control of Dusko Lukic and Mark Horrocks.

15. Gross cash flows

| | 30/04/12 | 30/04/11 |
|---|------------------|----------------|
| Capital expenditure and financial investment | £ | £ |
| Payment for current asset investment | (597,302) | (256,522) |
| Receipts from sales of investments | 449,524 | 505,157 |
| | <u>(147,778)</u> | <u>248,635</u> |

16. Analysis of changes in net funds

| | Opening balance | Cash flows | Closing balance |
|--------------------------|--------------------|------------------|--------------------|
| | £ | £ | £ |
| Cash at bank and in hand | <u>116,114</u> | <u>(112,993)</u> | <u>3,121</u> |