

Draganfly Investments Limited

Interim Results for 6 months period to October 31st 2012

Chairman's Statement

During the period under review net assets have fallen from 0.67 pence per share to 0.50 pence per share. This decline primarily reflects the continued decline in the share prices of URU Metals Limited, Motive Television PLC, and Royal Resources Limited (ASX). Portfolio liquidity has reduced as a result but remains healthy. Trading activity has been very light but was characterised by the sale of shares in Sirius Minerals PLC, two-way trade in URU, and the purchase of shares in Strategic Minerals PLC. The core quoted portfolio during the period under review consisted of Immedia Group PLC, URU Metals Limited, Motive Television PLC, Royal Resources Limited (ASX), and Strategic Minerals PLC.

We have previously alluded to our enthusiasm regarding our shareholding in Royal Resources. During the course of 2012 Royal Resources announced a sequence of upgrades to its magnetite resource base, confirming the potential previously highlighted by that company's management and exceeding our own expectations. In addition the resources company progressed towards finalisation of its pre-feasibility report for a 10 million tonne per annum concentrate operation. Despite these extremely positive developments the share price declined markedly during the period under review, and has continued to slide since the period end. We can only surmise that the delays to the pre-feasibility work frustrated the predominantly domestic retail shareholder base of the company, resulting in selling activity. Equally, the dramatic fall in iron ore prices had a significant impact on sentiment towards such projects, particularly in the Australian market place, and we note that since the period end, the share price has not recovered to reflect stronger iron ore prices. Meanwhile, we remain of the view that the resources company's market capitalisation is consistent with assets a fraction of its size, and look forward to concrete news on project funding in due course.

Strategic Minerals PLC has also been buffeted by iron ore price volatility but we believe it has the potential to generate healthy cash flows in the current market environment, and that 2013 will be a positive year for the company. We would refer investors to the Strategic Minerals website for further information. Elsewhere among the quoted shareholdings, we are disappointed by MTV's share price performance and hope the company can unlock its various commercial opportunities in 2013. We also note that URU's South African nickel project is in deadlock and hope that matters can be progressed during this year, to allow the exploitation of the project's undoubted potential. Meanwhile, URU maintains a healthy balance sheet.

Our core unquoted shareholding, Atlantic Healthcare, is making good progress on a number of fronts, including patient treatment across Europe via the company's Named Patient Sales (NPS) programme, and continues to work towards the establishment of out-licensing agreements for the USA. We hope to be able to update shareholders on progress in due course.

May I take the opportunity to thank our shareholders for their continued support.

Mark Horrocks
Chairman

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Draganfly Investments Limited
Unaudited Profit and loss account
for the 6 month period ended 31 October 2012

	Note	Continuing Operations	
		6 months to 31/10/12 £	6 months to 31/10/11 £
Turnover	2	(173,044)	(323,669)
Administrative expenses		(40,463)	(44,180)
Operating (loss)		<u>(213,507)</u>	<u>(367,849)</u>
Other interest receivable and similar income		5	10
Interest payable and similar charges		-	-
(Loss) on ordinary activities		<u>(213,502)</u>	<u>(367,839)</u>
There are no recognised gains or losses other than those included in the profit and loss account.			
(Loss) per share - basic			
Basic (in pence)		<u>(0.17)p</u>	<u>(0.32)p</u>

Draganfly Investments Limited
Unaudited Balance sheet
as at 31 October 2012

	Notes	31/10/12		31/10/11	
		£	£	£	£
Current assets					
Debtors			2,942		2,537
Investments	3		633,685		801,110
Cash accounts			6,771		15,845
			<u>643,398</u>		<u>819,492</u>
Creditors: amounts falling due within one year					
Creditors	4		<u>(17,347)</u>		<u>(13,687)</u>
Net assets			<u>626,051</u>		<u>805,805</u>
Capital and reserves					
Called up share capital			1,256,270		1,142,270
Share premium account			1,980,303		1,980,303
Profit and loss account			<u>(2,610,522)</u>		<u>(2,316,768)</u>
Equity shareholders' funds	5		<u>626,051</u>		<u>805,805</u>

Draganfly Investments Limited
Unaudited Cash flow statement
for the 6 month period ended 31 October 2012

	6 months to 31/10/12	6 months to 31/10/11
	£	£
Reconciliation of operating loss to net cash outflow from operating activities		
Operating (loss)	(213,502)	(367,839)
Realised loss/(gain) on sale of investments	56,531	(40,292)
Unrealised loss on revaluation of investments	334,850	363,961
Decrease in debtors	2,208	3,467
(Decrease) in general creditors	(11,271)	(590)
Net cash outflow from operating activities	<u>168,816</u>	<u>(41,293)</u>
 Cash flow statement		
Net cash outflow from operating activities	168,816	(41,293)
Capital expenditure and financial investment	(165,166)	(58,977)
Increase/(decrease) in cash in the period	<u>3,650</u>	<u>(100,270)</u>
 Increase /(decrease) in cash in the period	3,650	(100,270)
Opening cash balance	3,121	116,115
Closing cash balance	<u>6,771</u>	<u>15,845</u>

Draganfly Investments Limited
Notes to the interim statements
for the 6 month period ended 31 October 2012

1 Accounting policies

Basis of preparation

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

Going concern basis of accounting

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.

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
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for the 6 month period ended 31 October 2012

3 Investments

The carrying value of investments is stated as follows:	Quoted £	Unquoted £	Total £
Fair value of investments at 1 May 2012	475,505	384,375	859,880
Costs of investment purchases in the period	55,997	-	55,997
Sale proceeds of investments sold in the period	109,169	-	109,169
	<u>640,671</u>	<u>384,375</u>	<u>1,025,046</u>
Realised gains on sale of investments included in the profit and loss account	(56,531)	-	(56,531)
Unrealised change in fair value of investments held at 31 October 2012 included in the profit and loss account	(334,850)	-	(334,850)
	<u>(391,381)</u>	<u>-</u>	<u>(391,381)</u>
Fair value of portfolio of investments at 31 October 2012	249,290	384,375	633,665
Millpath Limited	-	20	20
Fair value of total investments at 31 October 2012	<u>249,290</u>	<u>384,395</u>	<u>633,685</u>

4 Creditors: amounts falling due within one year

	31/10/2012 £	31/10/2011 £
Other creditors	17,347	13,687
	<u>17,347</u>	<u>13,687</u>

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Notes to the interim statements
for the period ended 31 October 2012

5 Reconciliation of Shareholders' funds

	Profit and Loss Account £	Called up Share Capital £	Share Premium Account £	Total £
As at 1st May 2012	(2,397,020)	1,256,270	1,980,303	839,553
(Loss) for the period	(213,502)	-	-	(213,502)
As at 31st October 2012	<u>(2,610,522)</u>	<u>1,256,270</u>	<u>1,980,303</u>	<u>626,051</u>

6 Earnings per share

Basic earnings per share is calculated on the basis of the (loss) for the period of £213,502 and 125,627,000 shares (114,227,000 shares - 31 October 2011) 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.