

Draganfly Investments Limited
Chairman's statement and interim results
for the period ended 31 October 2017

Interim Results for period from May 1st 2017 to October 31st 2017

Chairman's Statement

I am pleased to present the interim Financial Statements for Draganfly Investments Limited ("Draganfly", "Draganfly Investments" or the "Company" for the six months ended 31 October 2017.

I was very pleased to be able to announce the appointment of Adam Wooldridge as CEO in August 2017. Adam is a well regarded and highly experienced geologist and geophysicist and his appointment has greatly strengthened the Board's technical skills base. Adam is based in South Africa and, following his years of high level consulting, he brings a strong network of contacts within the African mining industry.

In recent months the Company has been actively assessing a number of possible mineral investment opportunities. The Board remains confident that the Company will either complete, or have entered into, a transaction that satisfies the AIM requirements set out in the Company's announcement dated 21 March 2017, by the deadline of 20 March 2018.

I look forward to providing Draganfly's shareholders with further updates as appropriate.

Luke Bryan
Chairman

Draganfly Investments Limited
Unaudited Statement of income and retained earnings
for the period ended 31 October 2017

	Note	Continuing Operations	
		6 months to 31/10/17 £	6 months to 31/10/16 £
Turnover	2	-	7,296
Administrative expenses	3	(200,830)	(118,151)
Operating (loss)		<u>(200,830)</u>	<u>(110,855)</u>
Other interest receivable and similar income		2,420	383
(Loss) on ordinary activities		<u>(198,410)</u>	<u>(110,472)</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>0.13p</u>	<u>0.23p</u>

Draganfly Investments Limited
Unaudited statement of financial position
as at 31 October 2017

	Notes	31/10/17		31/10/16	
		£	£	£	£
Fixed assets					
Investments			-		17,864
Current assets					
Debtors		13,063		7,484	
Loan receivable	4	60,000		60,000	
Cash at bank and in hand		287,719		174,692	
		<u>360,782</u>		<u>242,176</u>	
Creditors: amounts falling due within one year					
Creditors	5	<u>(15,556)</u>		<u>(50,244)</u>	
Net current assets			345,226		191,932
Net assets			<u>345,226</u>		<u>209,796</u>
Capital and reserves					
Called up share capital	6		-		-
Stated capital	7		4,370,923		3,870,923
Retained loss			<u>(4,025,697)</u>		<u>(3,661,127)</u>
Equity shareholders' funds	7		<u>345,226</u>		<u>209,796</u>

The financial statements on pages 2 to 8 were approved and authorised for issue by the Board on and signed on its behalf by T Edward G Bayman


Director

Draganfly Investments Limited
Unaudited Statement of Cash flows
for the period ended 31 October 2017

	Period ended 31/10/17 £	Period ended 31/10/16 £
Cash flow from Operating activities		
Loss for the financial year		
Loss for the financial year	(198,410)	(110,472)
Adjustments for:		
(Gain) on investments	-	(7,296)
(Increase) in debtors	(5,710)	(5,821)
Increase / (decrease) in general creditors	(9,120)	31,202
Net cash flow from operating activities	<u>(213,240)</u>	<u>(92,387)</u>
Cash flow from financing activities		
Proceeds from issue of share capital	500,000	274,350
New short-term loan advanced	-	(60,000)
Net cash from financing activities	<u>500,000</u>	<u>214,350</u>
Net increase in cash and cash equivalents	286,760	121,963
Cash and cash equivalents at the beginning of the period	959	52,729
Closing cash balance	<u>287,719</u>	<u>174,692</u>

Draganfly Investments Limited
Notes to the interim statements
for the period ended 31 October 2017

1 Accounting policies

Basis of preparation

The financial statements are prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102).

Going concern basis of accounting

As at the period end date the company has sufficient liquid funds to manage its financial risks and to ensure 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.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial assets and liabilities are recognised in the Statement of financial position when the company has become party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Trade investments are equity investments over which the Company has no significant influence, joint control or control and are initially measured at transaction price. Transaction price includes transaction costs, except where trade investments are measured at fair value through profit or loss when transaction costs are expensed to profit or loss as incurred.

Trade investments in non-convertible and non-puttable preference shares or non-puttable ordinary shares are measured at fair value through profit or loss. The fair value of trade investments quoted on a recognised stock exchange is the quoted bid price.

Draganfly Investments Limited
Notes to the interim statements
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1 Accounting policies (continued)

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.

3 Administrative expenses

The administrative expenses for the period are split between day-to-day administrative expenses totalling £76,776 and one-off expenses of £124,054. The one-off expenses relate to accrued administration and directors fees from prior years, which were triggered and paid during the period. This amount also includes fees relating to the issue of shares during the year such as placement fees, legal and consultancy fees and professional fees for analysing future opportunities of the company.

4 Loan receivable

	31/10/2017	31/10/2016
	£	£
AltEnergis Plc	60,000	60,000
	<u>60,000</u>	<u>60,000</u>

The loan is an unsecured Sterling loan facility of a total principal amount not exceeding £60,000 bearing interest at the rate of 8% per annum and is repayable on the first anniversary of the date of the agreement, being 6th October 2017. The lender shall be entitled at any stage whilst the loan remains outstanding to convert all of the loan into ordinary shares in the capital of the borrower, such shares to equate to 2% of the entire issued share capital of the Borrower at the time by serving a conversion notice to the borrower. The directors have agreed informally to roll over the loan for a further 3 months.

Draganfly Investments Limited
Notes to the interim statements
for the period ended 31 October 2017

5 Creditors: amounts falling due within one year

	31/10/2017	31/10/2016
	£	£
Other creditors	15,556	50,244
	<u>15,556</u>	<u>50,244</u>

6 Share capital

	31/10/17	31/10/16
	Number	number
Authorised equity		
Ordinary shares of no par value	<u>242,500,000</u>	<u>142,500,000</u>
Allotted, called up and fully paid equity		
Ordinary shares of no par value	<u>169,356,437</u>	<u>69,356,450</u>

On 22nd May 2017 the company authorised, issued and allotted 100,000,000 new ordinary shares of no par value at a subscription price of 0.50 pence per ordinary share raising £500,000.

7 Equity reserves

Reserves of the company represent the following:

Retained Loss

Cumulative profit and loss net of distribution to owners

Stated capital

Consideration received for shares issued above their nominal value

8 Earnings per share

Basic earnings per share is calculated on the basis of the (loss) for the period of £198,410 and 157,399,915 shares being the weighted average number of shares in issue during the trading period and is stated in pence.

Draganfly Investments Limited
Notes to the interim statements
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9 Administration and directors fees

With effect from 1 April 2015, it was agreed with Pentera Trust Company Limited that the annual administration fees would be reduced to £10,000. It was agreed that the reduction in fees would be valid until there is a trigger event, such as a transaction having been undertaken, or Pentera Trust Company Limited ceasing to act as administrators and providing directors for Draganfly Investments Limited. Following such trigger event Pentera Trust Company Limited will reserve the right to charge fees for the period from 1 January 2015, on a time spent basis subject to additional independent director approval.

With effect from 1 April 2015, it was agreed with Dennis Edmonds to amend and defer his future remuneration. The deferral would be up until there is a trigger event, such as a transaction having been undertaken and until such triggering event the Company would not accrue costs in relation to his services. At the time of a triggering event a fee will be payable to Dennis Edmonds representing a reduced £25,000 per annum remuneration, calculated from 1 April 2015 onwards.

On 8 May 2017 £500,000 was raised through a share subscription which represented a trigger event. Upon the trigger event Pentera Trust Company Limited was paid contingent fees of £40,000 for the period from 1 January 2015, and contingent directors' fees totalling £26,667 were also paid to Dennis Edmonds.

Pentera Trust Company Limited has agreed to carry forward £30,000 of additional fees which are payable only on the occurrence of a further trigger event, being a further fundraise or a corporate transaction. Dennis Edmonds has also agreed that the remaining £27,500 owing to him in director's fees will become payable on the occurrence of a further trigger event and will be used either to settle part of the exercise price on share options granted to him, or he will waive repayment of the money.

10 Option agreements

On 31 May 2017, the Company granted Luke Bryan an option to acquire 5,000,000 shares in the Company at 0.5p each. In addition, Dennis Edmonds was granted an option to acquire 8,000,000 shares at 0.5p each. Both of these grants of options are exercisable between 1 June 2018 and 31 May 2023. Dennis Edmonds has agreed that he will either utilise the £27,500 owing to him in director's fees to exercise part of the options granted to him, or waive repayment of the money. Accordingly, the company will not have to pay these fees to him in cash.

11 Dividends

No dividends have been paid or proposed.