

**Draganfly Investments Limited**  
**Chairman's statement and interim results**  
**for the period ended 31 October 2011**

## **Interim Results for period from May 1<sup>st</sup> 2011 to October 31<sup>st</sup> 2011**

### **Chairman's Statement**

During the period under review net assets have fallen from 1.03 pence per share to 0.71 pence per share.

This decline is particularly disappointing, and primarily reflects the sharp decline in the share prices of URU Metals Ltd ("URU") and Motive Television PLC ("MTV") as investors appetite for risk declined during the summer. Portfolio liquidity has reduced as a result but remains healthy. Trading activity was characterised by the purchase of shares in MTV and Royal Resources Limited ("Royal Resources") (ASX), the sale of Microsaic Systems, and profit taking in URU, albeit at prices ranging from 15.9p to 10.75p. In addition we sold our remaining position in Sirius Minerals towards the period end. The core quoted portfolio during the period under review constituted of Immedia Group plc, URU, MTV, Royal Resources, Sino Gas, Sirius Minerals and Petaquilla Minerals (TSX).

Despite recent market woes, we are particularly excited by our shareholding in Royal Resources. The company has exploration and development rights to a potentially world-class iron ore resource in South Australia. We refer investors to the Royal Resources website where the company highlights the scale and timing of resource development alongside progress on a concentrate operation, and we look forward to further announcements from the company in due course.

Elsewhere among the quoted shareholdings, we are encouraged by MTV's recent trading statement, highlighting optimism that the company expects to convert its open negotiations into tangible business contracts. Any such event could have a positive effect on MTV's share price and we await progress updates. With regards to URU, the directors of Draganfly believe that the company's share price has been affected by the macro environment and the market capitalisation is now £8m, yet the latest accounts show cash balances of USD 5.25 million. In a recent announcement the company also referred investors to a recent funding round, which established a valuation for its stake in a private uranium exploration company at USD 3.7 million. The company has stated that it expects to establish a 43-101 resource update on its nickel asset in the coming months.

In general we believe prospects for the quoted portfolio remain very good. Funding issues amongst our portfolio companies are receding, and most candidates are showing healthy cash balances to overcome any near-term market uncertainties.

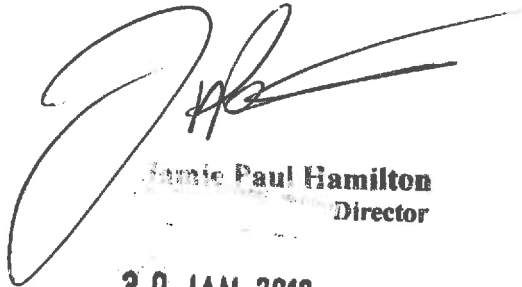
This theme has carried into our core unquoted shareholding, Atlantic Healthcare Limited ("Atlantic"), where good progress continues. Having successfully raised in excess of £1.7m for the commercialisation of its core gastro-intestinal product, alicaforsen, during 2011, Atlantic announced that it has begun treating patients and is now generating revenues. The company is now working towards establishing out-licensing agreements for the USA, and is receiving good support for the new funding round of £500,000 to facilitate this activity. The board and management of Atlantic have subscribed for £50,000 of this round. 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 traded URU, Sino Gas and Petaquilla, and added to our holdings in MTV and Royal Resources. We have also re-entered Sirius Minerals, in part via the recent placing, and sold the private shareholding in Finance Ireland.

At the corporate level we have been active and in late November we responded to existing investor demand by raising £114,000 at 1p per Draganfly share. We continue to seek opportunities to increase the asset base but are also mindful of not diluting existing shareholders unduly.

Once again we would like to thank our shareholders for their continued support.

Mark Horrocks  
Chairman



**Jamie Paul Hamilton**  
Director

**30 JAN 2012**

**Draganfly Investments Limited**  
**Unaudited Profit and loss account**  
**for the period ended 31 October 2011**

	Note	Continuing Operations	
		Period End 31/10/11 £	Period End 31/10/10 £
<b>Turnover</b>	<b>2</b>	(323,669)	80,729
Administrative expenses		<u>(44,180)</u>	<u>(46,034)</u>
<b>Operating (loss)/profit</b>		<u>(367,849)</u>	<u>34,695</u>
Other interest receivable and similar income		10	-
Interest payable and similar charges		-	-
<b>(Loss)/profit on ordinary activities</b>		<u><u>(367,839)</u></u>	<u><u>34,695</u></u>
 There are no recognised gains or losses other than those included in the profit and loss account.			
<b>(Loss)/earnings per share -basic</b>			
Basic (in pence)		<u>(0.32)p</u>	<u>0.03p</u>

**Draganfly Investments Limited**  
**Unaudited Balance sheet**  
**as at 31 October 2011**

	Notes	31/10/11		31/10/10	
		£	£	£	£
<b>Current assets</b>					
Debtors		2,537		2,418	
Investments	3	801,110		954,232	
Cash accounts		15,845		4,953	
		<u>819,492</u>		<u>961,603</u>	
<b>Creditors: amounts falling due within one year</b>					
Creditors	4	<u>(13,687)</u>		<u>(15,249)</u>	
<b>Net assets</b>			<u>805,805</u>		<u>946,354</u>
<b>Capital and reserves</b>					
Called up share capital			1,142,270		1,142,270
Share premium account			1,980,303		1,980,303
Profit and loss account			<u>(2,316,768)</u>		<u>(2,176,219)</u>
<b>Equity shareholders' funds</b>	5		<u>805,805</u>		<u>946,354</u>



**Jamie Paul Hamilton**  
**Director**

**30 JAN 2012**

**Draganfly Investments Limited**  
**Unaudited Cash flow statement**  
**for the period ended 31 October 2011**

	<b>Period ended 31/10/11 £</b>	<b>Period ended 31/10/10 £</b>
<b>Reconciliation of operating loss to net cash outflow from operating activities</b>		
Operating (loss)/profit	(367,839)	34,695
Realised (gain)/loss on sale of investments	(40,292)	52,375
Unrealised loss/(gain) on revaluation of investments	363,961	(133,104)
Decrease in debtors	3,467	1,658
(Decrease) in general creditors	(590)	(38,306)
<b>Net cash outflow from operating activities</b>	<u>(41,293)</u>	<u>(82,682)</u>
 <b>Cash flow statement</b>		
Net cash outflow from operating activities	(41,293)	(82,682)
Capital expenditure and financial investment	(58,977)	81,805
<b>(Decrease) in cash in the period</b>	<u>(100,270)</u>	<u>(877)</u>
 (Decrease) in cash in the period	(100,270)	(877)
Opening cash balance	116,115	5,830
Closing cash balance	<u>15,845</u>	<u>4,953</u>

**Draganfly Investments Limited**  
**Notes to the interim statements**  
**for the period ended 31 October 2011**

**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**  
**Notes to the interim statements**  
**for the period ended 31 October 2011**

**3 Investments**

<b>The carrying value of investments is stated as follows:</b>	<b>Quoted £</b>	<b>Unquoted £</b>	<b>Total £</b>
Fair value of investments at 1 May 2011	681,407	384,375	1,065,782
Costs of investment purchases in the period	346,164	-	346,164
Sale proceeds of investments sold in the period	(287,187)	-	(287,187)
	<u>740,384</u>	<u>384,375</u>	<u>1,124,759</u>
Realised gains on sale of investments included in the profit and loss account	40,292	-	40,292
Unrealised change in fair value of investments held at 31 October 2011 included in the profit and loss account	(363,961)	-	(363,961)
	<u>(323,669)</u>	<u>-</u>	<u>(323,669)</u>
<b>Fair value of portfolio of investments at 31 October 2011</b>	<b>416,715</b>	<b>384,375</b>	<b>801,090</b>
Millpath Limited	-	20	20
<b>Fair value of total investments at 31 October 2011</b>	<b><u>416,715</u></b>	<b><u>384,395</u></b>	<b><u>801,110</u></b>

**4 Creditors: amounts falling due within one year**

	<b>31/10/2011 £</b>	<b>31/10/2010 £</b>
<b>Other creditors</b>	13,687	15,249
	<u>13,537</u>	<u>15,249</u>



**Draganfly Investments Limited**  
**Notes to the interim statements**  
**for the period ended 31 October 2011**

**5 Reconciliation of Shareholders' funds**

	<b>Profit and Loss Account £</b>	<b>Called up Share Capital £</b>	<b>Share Premium Account £</b>	<b>Total £</b>
As at 1st May 2011	(1,948,929)	1,142,270	1,980,303	1,173,644
(Loss) for the period	(367,839)	-	-	(367,839)
As at 31st October 2011	<u>(2,316,768)</u>	<u>1,142,270</u>	<u>1,980,303</u>	<u>805,805</u>

**6 Earnings per share**

Basic earnings per share is calculated on the basis of the loss for the period of (£367,839) and 114,227,000 shares being the weighted average number of shares in issue during the trading period and is stated in pence.

**7 Dividends**

No dividends have been paid or proposed.