

# Initiation Report

DRAGANFLY INC.



## Draganfly Inc. – Advancing the Future of Aerial Innovation with Cutting-Edge Technology and Scalable Business Model

Draganfly Inc. (CSE: DPRO) (NASDAQ: DPRO)

Share Price: C\$1.75

Valuation: C\$3.75



### Key Statistics

52 Week Range	C\$0.65 - C\$3.30
Avg. Volume (3 months)	85.67K
Shares Outstanding	42.98M
Market Capitalization	C\$75.22M
EV/Revenue	7.6x
Cash Balance*	\$17.82M
Analyst Coverage	2

\*Cash balance as of December 2022 (inclusive of recent stock issuance)

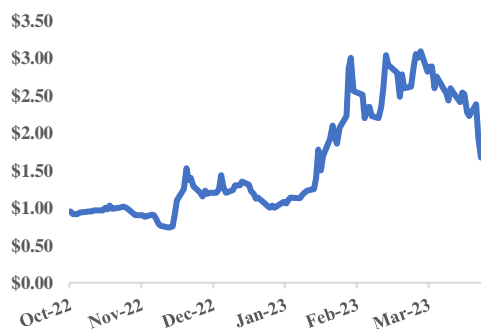
### Revenue (in C\$mm)

Dec - FY	2022A	2023E	2024E
1Q	2.04	2.05	4.43
2Q	2.37	2.38	5.10
3Q	1.88	3.65	5.85
4Q	1.31	3.96	6.39
FY	7.61	12.04	21.77

### EPS (in C\$)

Dec - FY	2022A	2023E	2024E
1Q	(0.19)	(0.15)	(0.13)
2Q	0.01	(0.13)	(0.15)
3Q	(0.16)	(0.12)	(0.13)
4Q	(0.49)	(0.10)	(0.12)
FY	(0.82)	(0.50)	(0.53)

### Stock Price Chart (in C\$)



## Investment Highlights

- Diversified and Strategic Product Positioning** - Draganfly Inc. holds a growing diversified portfolio of multiple drone products and services developed on the back of continuous innovation. The company provides end to end solutions ranging from drone hardware, software, drone services, drone engineering, and AI & data solutions, among others. Protected by a strong set of 23 issued patents, the company's product pipeline targets the burgeoning segment of the commercial drone market. The company's drone products are highly capable to meet the growing needs of commercial space, including but not limited to agriculture, commercial delivery, and public safety. The company has positioned itself strategically within the fragmented and highly competitive market, focusing on high-end customers, ranging from commercial to military, by providing highly advanced and sophisticated products equipped with features like autonomy, artificial intelligence, and advanced sensors. With a strong product portfolio and a track record of continuous innovation, the company is seeking to position itself for accelerated growth in the rapidly expanding drone industry.
- Draganfly's Drones Making a Difference in Ukraine and Beyond, While Advancing Its Business** - Draganfly has been in the news lately for its growing presence in Ukraine, where it has been supporting humanitarian efforts and de-mining activities. Draganfly has supplied over 40 drones, including 30 reconnaissance drones equipped with automated flight capabilities and imaging solutions for real-time observations and downloadable maps. These lightweight and versatile drones have been especially useful to first responders in hazardous and hard-to-reach areas, providing improved situational awareness and increasing overall efficiency for ground resources. Recently, the company announced that it has delivered the first of three Situational Assessment Drones to the DSNS Emergency Services Department in Kyiv, with plans to deliver two more to other regions in Ukraine. These automated VTOL drones use RGB & multi-spectral imaging solutions to provide instant maps for future use, improve situational awareness, assist in inaccessible areas, and increase efficiency for ground resources. In addition, Draganfly has also signed contracts and partnerships with companies such as Lufthansa Industry Solutions, Coldchain Technology Services (CTS), and Digital Dream Labs (DDL) to develop and supply its drone solutions, including hardware, software, and services, for use in their respective businesses. As Draganfly continues to expand its presence in Ukraine, the company's UAS capabilities are gaining global visibility, opening numerous potential opportunities for revenue generation in the years ahead.
- Industry, Competition and Regulatory Tailwinds** - The global drone industry is currently characterized by rapidly growing commercial segment, including software and services. This is further accompanied by increasing demand for domestic or non-chinese providers and transparency in regulatory frameworks. Even though the commercial drone market is dominated by Chinese players, with DJI holding 54% market share as of 2021, this has significantly come down from 70% in the previous years. With DJI's entry into U.S. entity list and growing concerns regarding privacy and cybersecurity issues Chinese players are likely to potentially lose their stronghold in the global drone market. This, in addition to clarity surrounding use of drones beyond visual line of sight as per FAA's 2022 guidance, will likely benefit domestic players, including Draganfly, with significant market share gains.
- Valuation** - We have valued Draganfly Inc. using a discounted cash flow (DCF) and comparable company analysis, assuming 80% weightage for DCF and 20% for comparable company analysis. Furthermore, we used a 15.00% discount rate and a 2.50% terminal growth rate for our DCF, and a 4.0x 2024 EV/Revenue multiple for the comparable company analysis, in line with selected comparable businesses. The combined approaches resulted in a valuation of C\$161.07 million or C\$3.75 per share, contingent on successful execution by the company.

## Company Description

Draganfly is a Canadian company that manufactures and sells commercial unmanned aerial vehicles and software for various markets, including public safety, agriculture, and mapping. The company was established in 1998 and is headquartered in Saskatoon, Canada.

## Company Overview

For over two decades, Draganfly Inc. (NASDAQ: DPRO; CSE: DPRO; FSE: 3U8), headquartered in Saskatoon, Canada, has established itself as a pioneer in the professional drone industry. The company offers a wide range of services and solutions, including enterprise drone solutions, custom software, Unmanned Aerial Vehicle (UAV) services, and contract engineering services, to support its clients. It was founded in 1998 by Zenon Dragan and operates as a manufacturer, contract engineering, and product development firm in the UAV and health sectors, serving public safety, agriculture, industrial inspections, and other markets. With the goal of saving time, money, and lives, Draganfly provides custom and ready-made hardware, services, and solutions to companies and government agencies. Its product and service offerings include quadcopters, fixed-wing aircraft, ground robots, handheld controllers, flight training, and software for tracking, live streaming, and data collection. Additionally, Draganfly has launched a health/telehealth platform focused on COVID-19 screening technologies that can remotely detect several COVID-19 respiratory symptoms. The company also provides sanitary spraying services for indoor and outdoor public spaces, such as sports stadiums and fields, to help prevent the spread of viruses like COVID-19. With 23 issued and one pending fundamental UAV patent in the portfolio, Draganfly continues to expand and grow its intellectual property portfolio.

*Draganfly offers a wide range of services and solutions, including enterprise drone solutions, custom software, Unmanned Aerial Vehicle (UAV) services, and contract engineering services*

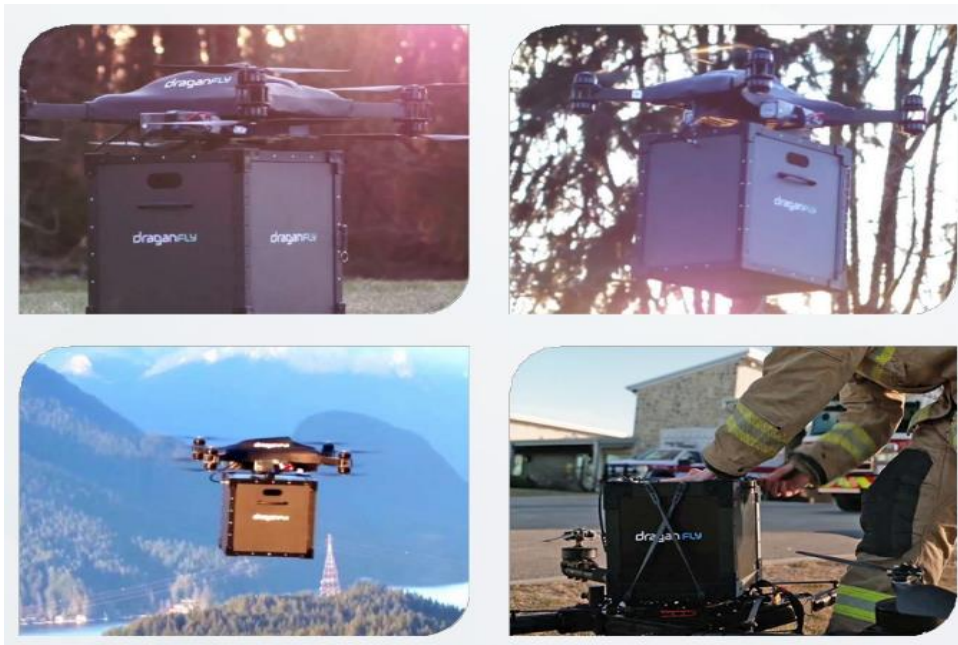


Exhibit 1: Draganfly's Product Offerings. Source: Company Presentation

The majority of the company's revenues are derived from product sales, which include quadcopters and multi-rotor drones, of which it boasts of to be amongst the longest-running manufacturers in the world; universal control system, which is a complete, handheld ground control system that is built to integrate with other software and hardware systems; software sales, which is an intuitive, easy to use, application that enables customers to plan, fly, and process meaningful data quickly; and vital intelligence, which is a data platform that turns an existing camera into a touchless symptom detection system, measuring vital signs and social distancing. On the services front, Draganfly's portfolio includes custom engineering services, which include

hardware design, software design and development, modelling of mechanical components, ITAR (International Traffic in Arms Regulations) equipment management, and pre-sales and post-sales support. It also provides training for specific operations and uses cases, including basic to advanced courses for UAV owners. Some of its other significant services are flight services and spraying services, which cover the company’s massive line-up of drone-related services leveraging its more than 20 years of experience in the UAV market.

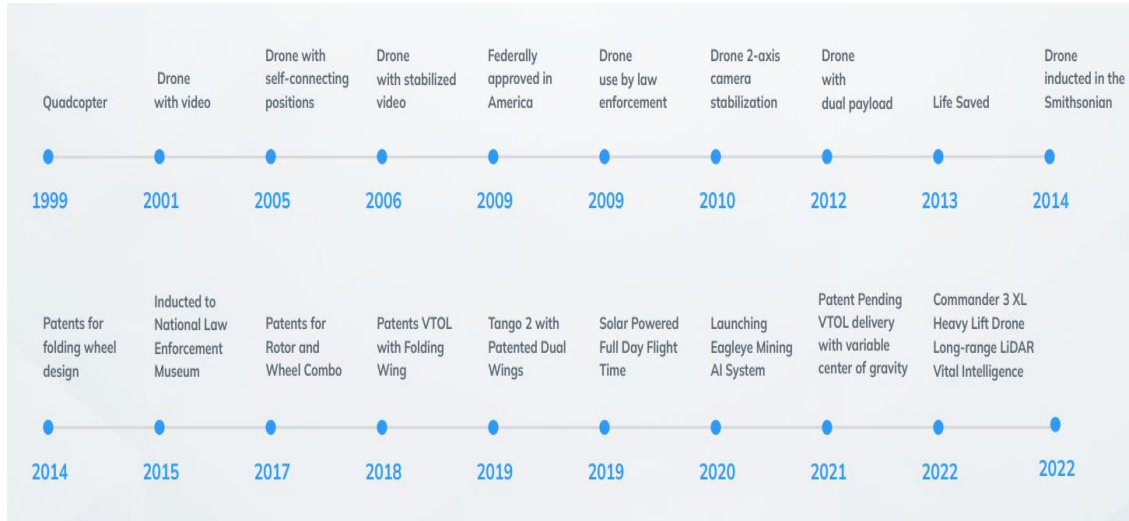


Exhibit 2: Important Milestones. Source: Company Presentation

The company currently manages its operations from Canada and the United States, which are its sole manufacturing, sales, and inventory-storing locales. While in Canada, it operates under the names Draganfly Innovation Inc., and Dronelogs Systems Inc., in the United States, it operates through its wholly-owned subsidiary, Draganfly Innovations USA Inc. The company also has its eyes set on some of the fast-emerging international markets in UAV technologies, including India. It has even been recognized as a leading global North American drone solution provider. The company has in its legacy some of the very ground-breaking firsts in the professional drone industry and has been honoured with many awards and recognition over the years.

*Draganfly’s business strategy has always been in tandem with the changing needs of the markets and the ever-increasing demands of its potential customers*

## Business Model and Expanding Product Portfolio

Draganfly’s business strategy has always been in tandem with the changing needs of the markets and the ever-increasing demands of its potential customers to create, design and develop new products and services that will enable efficient usage of its customers’ resources. The company markets its products and services as a drone solution platform, utilizing drones and adjunct technologies, that enables customers to do things and collect data not easily available before. Sensors, software, AI, and more all make up the ability to provide solutions that only a company with end-to-end capabilities can provide.

While Draganfly has provided products and services to multiple countries, its primary focus is on the North American market due to its geographical location. The company operates its business basis its three wholly-owned subsidiaries. The following chart shows the company’s subsidiaries:

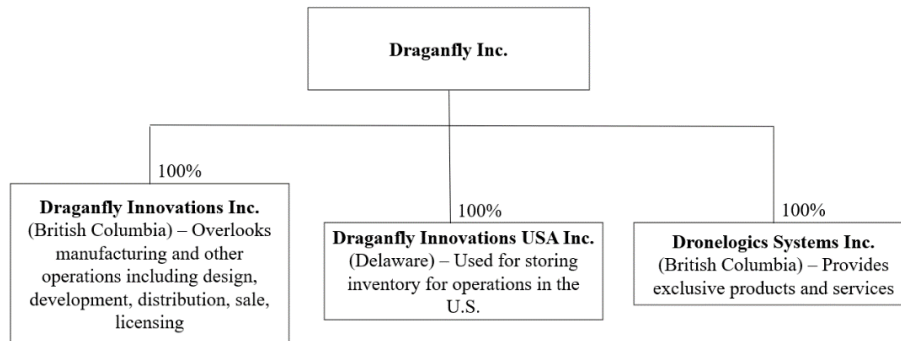


Exhibit 3: Corporate Structure. Source: Company Filings

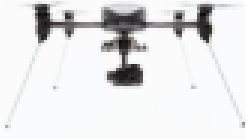





Draganfly aims to expand its sales and market reach in three key ways. Firstly, it intends to establish a sales force that can cultivate relationships and sell tailored solutions to various industries. The sales force will be segmented based on the specific product or service solution being offered and will sell directly or via a channel. Secondly, Draganfly aims to increase brand awareness through public relations and marketing efforts, including sponsorships of events that highlight its technology (As an example, it may participate in sporting events to provide health screening for attendees using Draganfly’s Vital Intelligence Technology or disinfect and coat the stadium from pathogens using its 20hr + drone spraying technology). Lastly, Draganfly plans to use targeted marketing and advertising to generate inbound inquiries for specific products, services, or solution opportunities. This includes virtual or physical tradeshow and conferences, as well as digital advertising campaigns. The development, operation, maintenance, sales, and marketing of the company's technology require a specific skill set. The current staff of the company possesses the required knowledge and skills for the business, and all operational staff holds the necessary licenses and certificates as required by Transport Canada and Federal Aviation Administration. Draganfly continues to develop specific solutions and IP for industry verticals by working directly with customers while pursuing an acquisitions strategy focused on adding additional capabilities to its platform. Draganfly aims to grow its business development team for new product lines and services, while expanding its production facility to meet rising global UAV demand. The improved Burnaby facility features automation, assembly lines, and efficient inventory management for faster, scaled production in 2023, showcasing its dedication to providing quality drone products to its expanding customer base.

*Draganfly’s products are tailored to meet the requirements of numerous industries, while it continues to attract new clients from various market verticals*

The company's current products are tailored to meet the requirements of numerous industries while it continues to attract new clients from various market verticals. Draganfly’s suite of products and services involves quadcopters and multirotors of varying efficiency, catering to wide range of industries across multiple sectors. The list includes six quadcopters/multirotors, namely Draganfly Commander, Draganfly Commander 2, Draganfly Commander XL, XP-4, Draganfly Heavylift and M600 Pro, one sensor technology named LiDAR, and fixed-wing aircrafts like Quantix and Tango2 all identifiable by their unique design and capabilities. Draganfly also develops allied products like Universal Control System and Software requiring functionality with/without the core products leading to greater efficiency and accurate results in timely manner. The company is also working on developing standalone health/telehealth assessment systems to monitor and assess vital signs and symptoms using the vital intelligence platform for the same. Leveraging a suite of core capabilities to deliver solutions, the technology used by the company has applications beyond



UAVs and has helped create solutions that improve how people live. The following section discusses the company's products and service offerings.

Product	Description	Application in Multiple Industries
<p><b>Draganfly Commander2</b></p> 	<p>Multi-mission, high-endurance, electric sUAS combining design elements from past Draganfly systems with the most advanced features to date. Supports both fully- and semiautomated missions and manual flight operations with a pilot in loop for system control to handle the operational task</p>	<p><b>Agriculture</b> - Crop health assessment, irrigation monitoring, and yield optimization. <b>Photography</b> - Site management, accident reconstruction, tower, infrastructure, or real estate inspections. <b>Public Safety</b> - Fire, police, emergency management services and hazmat units. <b>Others</b> - Mining, oil and gas, construction</p>
<p><b>Commander 3 XL Drone</b></p> 	<p>High-endurance, weather-resistant, multirotor UAV. Supports both manual and automated flight operations. Easy assembly and rapid deployment. Also called "Swiss Army Knife" of drones</p>	<p>Public safety, search and rescue, precision agriculture, and cargo delivery. Equipped with secure communications capabilities, including North American-built flight controllers, sensors, and radios</p>
<p><b>Draganfly Heavy Lift Drone</b></p> 	<p>Versatile, multi-rotor unmanned aerial vehicle (UAV) designed to enhance deliveries and flight times. Compatible with a variety of interchangeable payloads, it can carry more (up to 30kg) and fly longer (up to 55 min). Supports both manual and automated flight operations</p>	<p>Power line stringing, transportation of industrial equipment and supplies, suppression of wildfires, geographical mapping, gas detection and search and rescue. Also, has a wide scope of utility in military equipment deployment.</p>
<p><b>Long Range LiDAR (DLR- LiDAR)</b></p> 	<p>Provides accurate distance measurements and improved resolution over conventional photogrammetry methods. Cutting-edge sensor technology can be mounted on UAVs, airplanes, and helicopters for those professionals requiring precision imagery.</p>	<p>Used as a mobile scanning solution when mounted on a vehicle or backpack. Wide range of utilities in aerial mapping, agriculture, archaeology &amp; forestry, construction, 3D modelling in hydrodynamics, wind turbine inspection, and digital elevation models. Also useful in mining and underground mapping.</p>
<p><b>Quantix™ Mapper</b></p> 	<p>Exclusive to Draganfly through its partnership with AeroVironment. Fully-automated drone designed for mapping</p>	<p>Quickly and accurately maps acreage, allowing easy spotting of crop health and operational issues that the naked eye might miss. Also used during storm, flood, or fire damage assessment; environmental monitoring; flood mapping and elevation modelling</p>
<p><b>Tango2</b></p> 	<p>High endurance, dual battery, sUAS capable of carrying a wide array of payload systems Utilizes the Draganfly intelligent power management system to extend flight time while increasing safety.</p>	<p>Agricultural monitoring and research, mapping, surveying, environmental monitoring, and search and rescue.</p>

***Draganflyer Commander***



High-endurance, electric, autonomous quadcopter drone built on Draganfly's patented carbon fibre folding airframe. Interchangeable payloads for a variety of missions requiring high-resolution imagery. 35-minute flight time. Comes equipped with the airframe, flight planning software to easily and seamlessly collect data, and post-processing mapping software.

Enterprises and rural communities use the Draganflyer Commander for site monitoring, measuring volumetrics, digital surface modelling, fire services, and a wide variety of other use cases.

***Draganflyer X4-P***



Semi-autonomous quadcopter. 18-minute flight time. Ideal for medium projects. Designed for line-of-sight flying

Public safety, Ag-Pro, mapping, and photography.

***M600 PRO***




Built on the M600 Pro platform. Multirotor drone with 18-min flight time. M600 Pro package comes turn-key, equipped with imaging sensors, flight planning software and Draganfly Surveyor software for seamless flight planning and execution. Enables automated data collection with unmatched spatial resolution and broad spectral range.

Collecting complete data requirements in a wide range of industries, including agriculture, oil and gas, environmental monitoring, and industrial inspections

Although the current products in the company's portfolio are mostly intended for commercial use, barring just two products, Tether Drone System and Counter Drone System, which cater to the U.S. military contractors, the company is actively engaged in continuous research and development to introduce new products tailored to the military drone market, which is expected to see significant growth in the future. The company's upcoming product line-up, which will include M2M 170, Shadow 200, Scan Eagle, and Predator B, will be equipped with advanced sensors and capable of autonomous operation, making them ideal for military operations. Additionally, some of these products will utilize AI technology, which is set to be a key driver in the drone industry, further enhancing the company's future prospects.

*Draganfly is actively engaged in continuous research and development to introduce new products tailored to the military drone market*

Apart from the flagship drones, Draganfly also offers a range of auxiliary products and applications like universal control system, software packages, and vital intelligence systems necessary in planning, operating, data analysis and various assessment functions. The following are its products pairing hardware with best-in-class tech and interface design useful for smooth and efficient operations and immediate analysis.

Product	Description
<p><b><i>Universal Control System</i></b></p> 	<p>The Draganfly Universal Control System is a comprehensive handheld ground control system that seamlessly integrates with other software and hardware systems. Its design is intended to provide accurate control over sUAS helicopters, fixed-wing aircraft, and ground-based robots.</p>

**Software**



Draganfly's Surveyor drone flight planning software is a user-friendly and intuitive application that allows customers to plan, fly, and quickly process valuable data. The Draganfly Surveyor software integrates directly with Pix4Dmapper for survey-grade results and is also compatible with other third-party photogrammetry programs.

**Vital Intelligence**



Draganfly installs standalone and airborne health assessment systems at locations such as universities, hotels, casinos, family entertainment complexes, shopping centres, and other high-traffic locations. These systems effectively measure social distancing and visitors' vital signs like temperature, cough, and respiratory rate to identify high-risk visitors. Draganfly integrates this technology into a variety of platforms and camera systems – both on the ground and in the air – to assess people coming into and traveling throughout a facility

Draganfly's services form a significant part of the company's offering. The drone industry is still in its nascent phases, and developments are still on-going. It becomes difficult to get a complete idea about the latest tools, technicalities, and technologies to operate, design, or administer various products/services related to drones. The company provides a plethora of specialized services, like custom engineering, training, flight services, and spraying services, for both its existing product customers as well as other customers not using its products. These allied and standalone services help the company to deal with the dynamics of the industry and act as a catalyst benefitting the industry. As a contract engineering partner, Draganfly collaborates with government agencies, academic institutions, and businesses of all sizes. The company's hardware designers, software designers, engineers, project managers, and vertical-specific experts work together during the engineering process to develop customized drone solutions that leverage the team's full capabilities. Draganfly's end-to-end engineering services include hardware and software design, development, modelling of mechanical components, and providing support in all of the above service domains.

*Draganfly collaborates with government agencies, academic institutions, and businesses of all sizes*

Draganfly also provides customized training packages designed to cater to specific operations and use cases. The company offers basic training for novice UAV owners, as well as advanced classes for individuals who have a solid understanding of the fundamentals and are seeking new strategies to improve flight efficiency or adhere to federal regulations. Draganfly has a team of skilled pilots who also conduct flights on behalf of its clients. The team has expertise in collaborating with emergency services, such as police, fire, and search and rescue personnel. Draganfly also supports industrial applications, utility and power companies, environmental and agricultural entities, and others. Furthermore, Draganfly operates, in partnership with a leader in natural and organic disinfectants, to administer a sanitization spraying service in large public venues. The process of sanitizing an entire stadium, for instance, can be difficult to accomplish manually, but Draganfly drones make it easier. Draganfly-certified flight specialists use these drones to release a water-based RTU formula, which is safe for use on various surfaces, from hard to porous ones such as fabric and flooring. The mist effectively coats the entire stadium, and the process can sanitize up to 50,000 seats in just 4-6 hours.



## Key Contracts and Partnerships

Draganfly partners bring a wealth of experience and unparalleled industry insights to their daily operations and strategic initiatives, prioritizing innovation, growth, collaboration, and trust. With a tally of around 40+ partnerships, Draganfly procures/sells products, services, ideas, and experience from the likes of Ford, Viacom, Redbull, Fobi AI Inc., Lafarge, Lufthansa Group etc., empowering it to be one of the world’s leading professional drone solutions providers. Some of the partners are discussed below:

Company/Institution	Description
<i>Fobi AI Inc.</i>	Fobi empowers event organizers to request that attendees complete health protocol screening via their mobile phones. Draganfly's Smart Vital system, which is voluntary, leverages the phone's camera to monitor attendees' vital signs, such as body temperature, heart rate, breathing rate, and blood oxygen content (SpO2).
<i>Drone Racing League (DRL)</i>	DRL and Draganfly have joined forces to establish DRL Labs, an innovation hub aimed at researching and developing next-generation drone technology. This technology will drive the evolution of drone racing and support other industries that are experiencing significant transformation through drone applications, such as humanitarian aid and mobility.
<i>Digital Dream Labs (DDL)</i>	Digital Dream Labs (DDL), an edtech/entertainment company that develops engaging learning solutions and consumer robots for people of all ages, agreed to purchase a minimum of 50,000 drones every year, produced and assembled solely by Draganfly and granted the first option to become the exclusive manufacturer and assembler for any future drone or UAV-based robots that DDL may add to their product portfolio. The company expect to begin delivery starting Q1 2023.
<i>Valqari</i>	Valqari is revolutionizing package delivery for people and businesses across urban, suburban, and rural areas. By providing a fully automated process that includes a safe and convenient landing station to authenticate and verify every delivery, Valqari has effectively addressed the logistical challenges of last-inch drone delivery. Draganfly will be the exclusive manufacturer and assembler of the delivery stations.
<i>Windfall Geotek</i>	Windfall Geotek, the first company to use advanced data techniques to help locate mineral deposits, is a pioneer in using AI & Machine learning in the mining industry since 2003. They have helped with various discoveries – Ring of Fire, Canada Nickel Company, Bonterra Bachelor Lake Mine, etc.
<i>Bluvec</i>	The company collaborates with Draganfly to create integrated counter-drone solutions that enhance threat detection, management, and intervention. These solutions are particularly focused on critical infrastructure sites like airports, energy facilities, and civil air defense systems.
<i>Coldchain Technology Services (CTS)</i>	CTS has signed a definitive agreement with Draganfly to develop, deploy and operate solutions for the delivery of medical supplies, medicine, and vaccines.
<i>Lufthansa Industry Solutions</i>	Lufthansa Industry Solutions to integrate Draganfly’s drone solutions and Vital Intelligence software with their marine search and rescue solutions.
<i>SkyeBrowse</i>	The collaboration aims to provide emergency responders with enhanced situational awareness and rapid deployment capabilities during critical incidents. Draganfly's unmanned aircraft, combined with SkyeBrowse's live 3D mapping software, is expected to increase capabilities in accident reconstruction, tactical operations, search and rescue, disaster response, and firefighting. The integration is expected to deliver critical situational data, modeling, mapping, and monitoring to first responders, revolutionizing aerial data collection and analysis while enhancing safety for first responders and military personnel.

Exhibit 4: Strategic Partnerships. Source: Company Filings

## Russia’s Invasion of Ukraine – A Call to Action

The conflict between Russia and Ukraine has brought attention to the increasing use of aerial drones for offensive purposes, leading to a greater emphasis on the development of counter-drone defense technologies. However, it is important to note that drones can also be utilized for humanitarian purposes, including search and rescue operations, delivering medical supplies, and detecting landmines in war zones. In Ukraine, over 62,000 square miles of land could be ridden with mines, and it is estimated that it could take up to 20 years to de-mine the area. Additionally,

over 900 bridges require repair. Drones can significantly speed up the process of mapping, surveying, data collection, and engineering, which are essential for de-mining. The United States has also pledged [\\$89 million](#) towards efforts to combat landmines in Ukraine. The knowledge and techniques acquired in Ukraine could be applied to other heavily mined countries across the globe. Ukraine has become a leading expert in operating drones, with valuable experience gained in just one week of conflict surpassing that of many other locations in a year. This is the focus of Draganfly, which has been actively involved in Ukraine since early 2022, initially forming partnerships to supply Ukraine with three drones and subsequently fulfilling an order for an additional 10 drones. During late last year the company fulfilled another order for 30 reconnaissance drones, bringing the total number of unmanned aerial vehicles supplied by Draganfly to over 40. This was further followed by recent delivery of the first Situational Assessment Drone to the DSNS Emergency Services Department in Kyiv, with plans to deliver two more to other regions in Ukraine.

*Draganfly has been actively involved in Ukraine since early 2022, forming partnerships to supply Ukraine with numerous drones*

These drones are being utilized for a variety of purposes, including search and rescue operations, delivering medical supplies, and detecting mines. Draganfly's reconnaissance drones have been particularly valuable to first responders in Ukraine, as they allow for the safe planning of missions in dangerous and inaccessible areas while the automated VTOL drones are equipped with RGB & multi-spectral imaging solutions to provide instant maps for future use, improve situational awareness, assist in hard-to-reach areas, and increase efficiency for ground resources. The drones can be deployed quickly and easily to provide aid and assistance in hazardous and inaccessible areas, improving situational awareness and increasing overall efficiency for ground resources.



Exhibit 5: 1<sup>st</sup> Medical Response Drone Deployed in Ukraine. Source: Company

Since last spring, the company has been providing Revived Soldiers Ukraine (RSU) with heavy-lift emergency medical service (EMS) drones, and it has been ramping up deliveries of these and other vehicles to expedite the transportation of essential supplies and water to Ukrainian citizens who are being targeted by Russian offensives. Given the country's ongoing efforts to rebuild structures and infrastructure, the demand for drones is expected to persist even after the conflict has ended.

## Industry Structure and Regulatory Trends

A drone refers to an unmanned flying device that can either be controlled remotely or operated autonomously. The concept of drones has a rich history, dating back to [1849](#), when Austria used unmanned balloons filled with explosives to attack Venice. In the past decade, there has been a significant surge in drone innovation and commercial interest. Drones, which were initially developed for military purposes, have undergone rapid growth and advancements, and have now found their way into widening commercial applications and consumer electronics. According to [Fact.MR](#), the United States drone market was valued at \$11.1 billion in 2022, projected to expand rapidly at 22.2% to reach a market valuation of \$82.9 billion by 2032. Approximately [79%](#) of this multi-billion-dollar drone market is accounted for by drone services, while the rest forms the hardware and services market.

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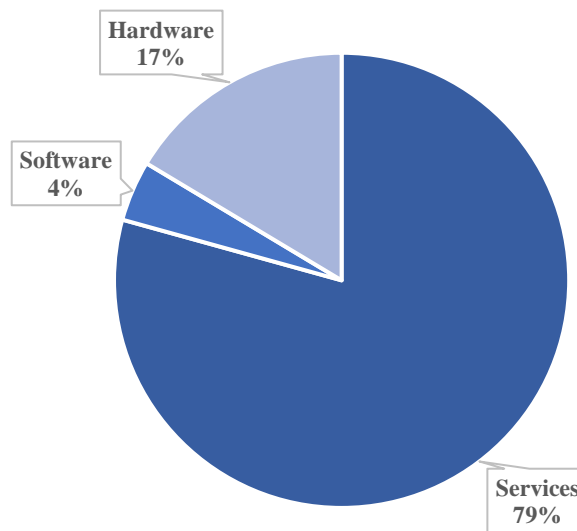


Exhibit 6: Drone Market Segmentation by Product. Source: [Drone Industry Insights \(DII\), 2021](#), Diamond Equity Research

Various industries utilize drone technology in their operations. Civil government, educational institutions, agriculture, construction, healthcare, real estate, energy, transportation, insurance, security, and scientific fields are among the industries that currently use these applications for public safety, data collection, and profit. A global trend towards sustainable and eco-friendly alternatives has also boosted the demand for drone usage. The drone industry is categorized into three major segments based on their applications, namely military, commercial, and consumer, involving players from different countries offering latest technologies and equipment for various applications making it an ever-evolving fragmented market having minimal barriers to entry.

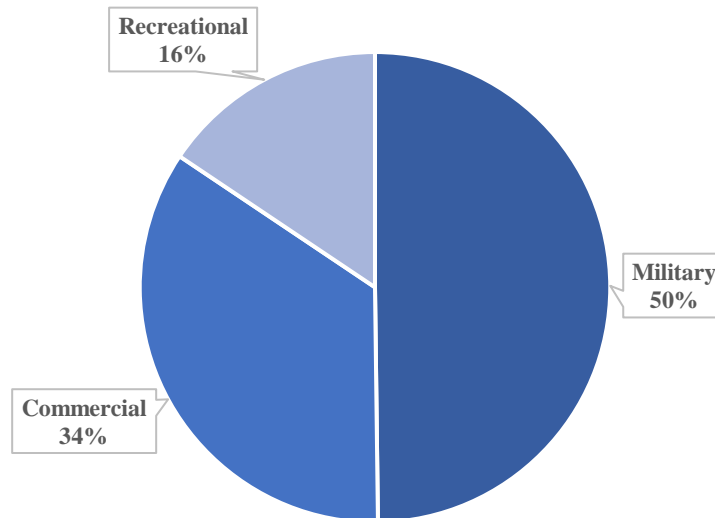


Exhibit 7: U.S Drone Market Segmentation by Application (2022). Source: [Fact M.R.](#), Diamond Equity Research

Military drones are used for a variety of purposes, such as surveillance, mapping, communication, equipment delivery, and while the demand for these applications is expected to increase as governments increase their funding, the next leg of industry’s growth is likely to be led by the commercial application or commercial usage of UAV technology. According to [Strategic Market Research](#), the global commercial drone market size in 2022 was \$8.15 billion and is expected to reach \$47.38 billion by 2030, depicting a CAGR of 28.58%.

The commercial drone segment is currently the second largest drone market and consists of wide applications such as mapping and surveying, precision agriculture, surveillance & monitoring, and filming, among others. Delivery is predicted to be the fastest-growing drone application, with a forecasted CAGR of 28.6% over the next five years, leading to the creation of over 100,000 new jobs in the drone industry by 2025. The growing commercial market is fuelled by advancement in technology within sensors, AI, and autonomy, which is promoting creation of more sophisticated and affordable drones, thus widening the application of drone technology. Furthermore, transparency in regulatory frameworks and cost saving by replacing the need for expensive equipment or manual labour remains a major tailwind supporting the growth of commercial market.

*The commercial drone segment is forecasted to have its highest growth in the next decade, with delivery being the fastest-growing drone application*

Current drone technology has already surpassed manned aircraft in endurance, range, safety, and cost efficiency — but R&D is far from over. The drone industry has experienced rapid growth, but the lack of regulations to govern their use has created uncertainty, hindering innovation and commercial adoption. However, anticipated regulatory clarity is expected to increase demand. NASA is leading a multibillion-dollar initiative to develop a U.S. airspace management system capable of safely coordinating manned and unmanned flight, while the Federal Aviation Administration (FAA) is expected to ease restrictions on commercial drones further. In the past, the United States has had reservations about loosening rules regarding commercial drones due to concerns related to safety and security. Nevertheless, in 2017, the Federal Aviation Administration (FAA) declared certain exceptions to select businesses, allowing them to operate drones beyond



visual line of sight. During that year, the initiation of the Unmanned Aircraft System (UAS) Integration Pilot Program (IPP) was declared by President Trump, with the aim of encouraging cooperation between federal agencies and businesses. These types of programs suggest that the United States, which currently holds the position of being the biggest consumer of drones, is endeavouring to advance beyond military usage and build a structure that facilitates the deployment of drones in commercial contexts.

DRONE INDUSTRY INSIGHTS

INTERNATIONAL DRONE LAWS ON BVLOS AND UTM

Country <sup>1</sup> (alphabetical order)	Operational Limitations			Administration and airspace				Proposed amendments in the UTM and BVLOS segment
	Risk-based BVLOS exemptions	BVLOS standard scenarios	BVLOS as standard rule	UTM rule existing	UTM Basic Services rolled out	UTM system tested in pilot projects	Governmental UTM system trial ongoing under ANSP	
	✓	✓	✗	✗	✓	✓	✓	• Australia operates an automated airspace authorization trial
	✓	✗	✗	✗	✓	✓	✓	• Developing lower-risk BVLOS rules for operations in rural and remote areas until 2025
	✓	✗	✗	✗	✓	✓	✗	• China's CAAC plans to publish new regulation in 2023 which have SORA included
	✓	✓	✗	✓	✓	✓	✓	• As per EU UTM regulation
	✓	✓	✗	✓	✓	✓	✗	• As per EU UTM regulation
	✓	✓	✗	✓	✓	✓	✗	• As per EU UTM regulation
	✓	✗	✓	✗	✗	✓	✗	• Japan started to establish a drone certification system. Level 3 and Level 4 flights need to use UTM system.
	✓	✓	✗	✓	✓	✓	✗	• As per EU UTM regulation
	✓	✓	✗	✓	✓	✓	✗	• As per EU UTM regulation
	✓	✗	✗	✓	✓	✓	✓	• Recommendations for BVLOS rulemaking published • "Beyond" and "LAANC" program running

Source: DRONEII.com  
January 23<sup>rd</sup>, 2023  
DRONE INDUSTRY INSIGHTS

Exhibit 8: Drone Laws in Select Economies. Source: [Drone Industry Insights, 2023](#)

The United States' revised stance on drone regulations has been influenced by developments in countries including Japan, China, Australia, Singapore, Poland, and the United Kingdom, which are opening up commercial possibilities by progressively evaluating and approving drone applications. In March 2022, FAA issued a detailed [report](#) stating the guidelines for the use of unmanned aerial systems (UAS) beyond the visual line of sight (BVLOS). The UAV BVLOS ARC report established regulations that permit, with waiver approval, the use of unmanned aircraft for commercial purposes beyond visual line of sight (BVLOS) under specific circumstances. This clarification regarding BVLOS flight restrictions is seen as a significant turning point for the drone industry as it significantly increases the range of potential commercial applications. To promote domestic drone manufacturing and further simplify regulatory framework, a new bill called the Increasing [Competitiveness for American Drones Act of 2023](#) was recently introduced. The bill proposes changes to allow BVLOS drones to operate under new regulations for flight approval, which would create more opportunities for businesses. As regulations evolve, drones are poised to make significant contributions to the business world, offering the same benefits of safety, efficiency, and cost-effectiveness that have made them attractive to the military.

*Drone regulations across the world are becoming more favorable for overall betterment of the Drone industry*



## Fragmented Market with Weakening Chinese Stronghold

The drone market is highly fragmented, allowing for the entry of new competitors who differentiate themselves based on factors such as technology, price, and services. A number of well-known companies operate in the industry, including Aeronavics Ltd., AeroVironment Inc., Autel Robotics, DJI, EHANG, Intel Corporation, Parrot Drones SAS, PrecisionHawk Inc., and YUNEEC, among others. China dominates the industry, with seven of its companies ranking among the world's top 20 commercial drone manufacturers. Chinese companies, which established the industry, produce over 80% of the world's commercial drones. DJI remains the leader within the global commercial as well as consumer drone market, with a market share of 54% and 94% respectively.

*There is growing trend among other countries and corporations of being cautious of Chinese technology companies on the basis of security concerns*

In recent years, Chinese technology companies have had to face the brunt of U.S. - China trade conflicts amid America's concerns regarding national security, cybersecurity, privacy and ties to the Chinese military or government. There is growing trend among other countries and corporations of being cautious around Chinese technology companies on the back of similar concerns. Multiple companies, including global drone leader DJI was added to the U.S. Entity List in December 2020. The U.S. government cited concerns about the company's alleged involvement in human rights abuses in China's Xinjiang region, as well as its ties to the Chinese military, as reasons for its inclusion on the list. China's controversial reputation around the world has led to some foreign customers becoming hesitant to extend their existing contracts or purchase new drones from China. Jordan, for example, bought six CH-4 drones in 2016 but now plans to dispose of them. India has banned the import of Chinese drones due to concerns that DJI may be relaying sensitive data to Chinese intelligence agencies, including critical infrastructure and personal information such as heart rates and facial recognition. Furthermore, Chinese companies are often accused of copying foreign technology and producing cheaper or lower quality products. However, this presents an opportunity for North American companies to take advantage of developments in the drone industry.

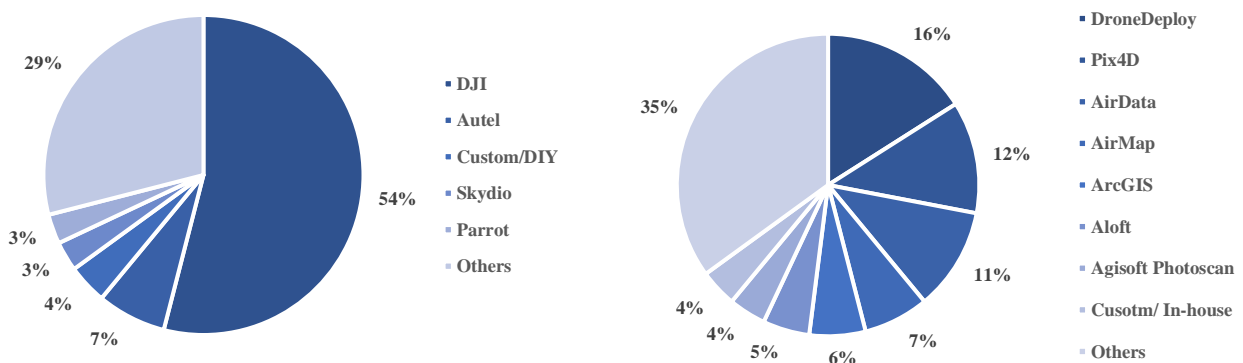


Exhibit 9: Commercial Drone Market Share and Drone Software Market Share. Source: [DroneAnalyst 2021](#)

Owing to DJI's entrance in the Entity list and the general market sentiment against Chinese drone technology, its market share in commercial segment dropped significantly in 2021 by approximately 15% to 54%. At the same time market share of the U.S. drone manufacturing companies increased 9% point to 16% of total drone sales while the Chinese manufacturers share

dropped to 64% from 77%. While we believe this to be a positive development for Draganfly, it still faces intense competition from multiple American and European manufacturers. The company is continuously innovating, while positioning itself with a differentiated market strategy.

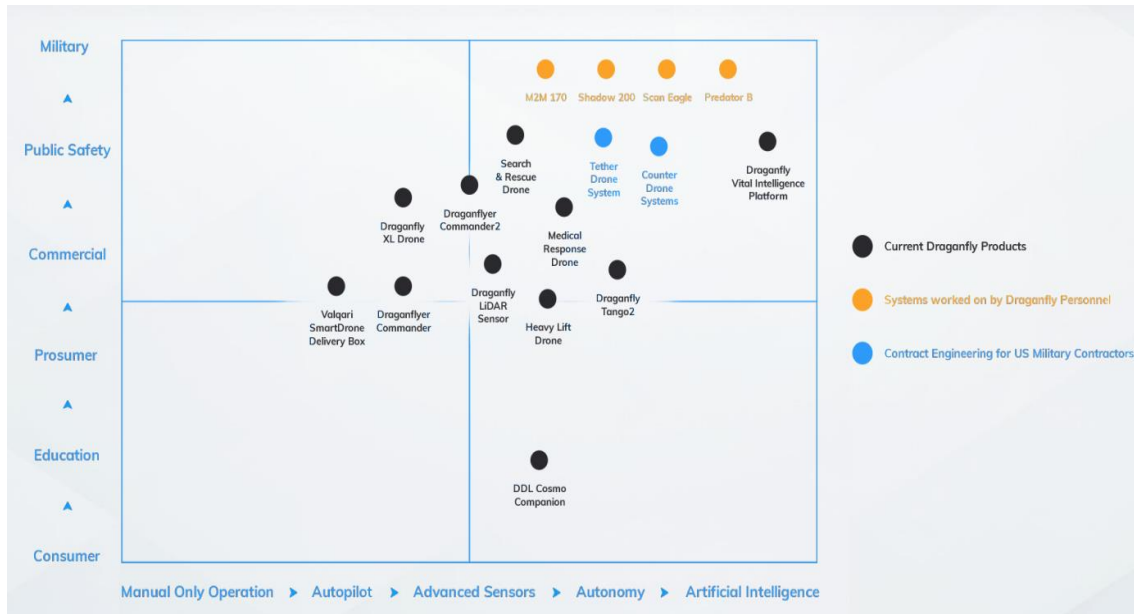


Exhibit 10: Draganfly's Product Positioning. Source: Company Presentation

An increasing number of new players are entering the drone industry with an emphasis on consumer and prosumer drones, which is causing this particular segment of the market to become oversaturated. Rather than following suit, the company is prioritizing the development of highly advanced and sophisticated drones, with an emphasis on features like autonomy, artificial intelligence, and sensor awareness. This strategy may offer better profit margins and growth prospects in the commercial and light military sectors. Despite the regulatory dependency of this segment of the market, the company perceives it as an ideal time to pursue this direction. Furthermore, establishing a strong base within the much bigger services segment and enabling newer and better drone services could significantly benefit the company in the long-run.

## Management Overview

### **Cameron Chell - CEO/President**

Cameron Chell is the Chief Executive Officer/ President of Draganfly Inc. He has been a technology entrepreneur for more than 30 years and has spent his career growing a diverse collection of high-potential ideas into revolutionary companies that have changed the way we experience the world. He is known for his innovative approach and ability to bring cutting-edge technology to the market and has also co-authored a book on building and sustaining startups. He has been a founding member and on the board of directors of several companies, including the Business Instincts Group (BIG), VUELE, Music FX, and MetaWorks Platforms, among others. Cameron is a hands-on leader who actively participates in projects and promotes a culture of innovation and implementation. He emphasizes the importance of clear goals, effective teamwork, and measurable outcomes, ensuring that these operational principles guide all teams he works with.

### **Paul Mullen - Chief Operating Officer**

Paul Mullen is the current Chief Operating Officer at Draganfly Inc. Over the last 15 years, Paul has been responsible for operational strategy and execution with a scope that includes product expansion, mergers and acquisitions, organizational development, and go-to-market oversight for both enterprise-level and start-up organizations. Prior to Draganfly, Paul was Vice President at Vital Intelligence, before which it was V.P. of operations at Monark Group and Kater Technologies. He has also worked with Shaw Communications for more than 16 years serving at various dignified designations. With a strong passion for innovation, Paul excels in creating and pursuing advanced strategic goals for the future. He is driven by the pursuit of innovation and new opportunities. Paul has a Bachelor's degree from Kwantlen Polytechnic University and has done Diploma in Business Administration from the same institute. He has also taken an online workshop at altMBA.

### **Paul Sun - Chief Financial Officer**

Paul Sun is the Chief Financial Officer of Draganfly Inc. He has a strong background in capital markets and is a trained engineer with over 25 years of experience in the business. Throughout his career, Paul has held senior positions at several investment banks, including Scotia Capital, Desjardins, and Beacon Securities. He has provided financial solutions for a wide range of companies, from small startups to large organizations, and has been involved in various transactions across the entire capital structure. Additionally, Paul has held project and operational management positions at private and public companies and has developed a substantial network of investors. Paul received a Bachelor of Applied Science and Engineering degree from the University of Toronto and a Master of Business Administration degree from the Schulich School of Business. He also holds professional designations as a Professional Engineer and Certified Financial Analyst.

**Deborah R. Greenberg - Chief Legal Officer**

Deborah R. Greenberg is the Chief Legal Officer of Draganfly Inc. She has a wealth of experience in both business and law, having worked in the field for over 30 years. She is recognized as a pragmatic, energetic, and straightforward business partner and executive with exceptional leadership, operations, and relationship management abilities. Before joining Draganfly, she served as the Chief Information Officer and Chief Legal Officer at Canada Mortgage and Housing Corporation (CMHC) and previously held the position of General Counsel at Aimia (Aeroplan). Deborah began her legal career at Davies Ward Phillips & Vineberg LLP. Deborah holds a Bachelor's degree in Civil and Common Law and a Graduate Management diploma from McGill University, as well as a Bachelor's degree in Psychology from Carleton University. She has also earned the ICD.D designation in Governance and the GCB.D designation in Environmental, Social, and Governance (ESG) issues.

**John Mitnick - Chairman of the Board**

John Mitnick is the Chairman of Draganfly Inc. He is a highly experienced American attorney with 32 years of service at both government and private sector institutions. Between February 2018 and September 2019, John served as the General Counsel of the U.S. Department of Homeland Security (DHS), where he was unanimously confirmed by the U.S. Senate. As the chief legal officer of DHS, he oversaw a team of over 2,500 attorneys and was responsible for providing legal advice and counsel to the agency and its components. In addition to his role at Draganfly, John also serves on the board of directors of Valaurum Inc. as Executive Vice President, Secretary, and General Counsel and is a strategic advisor at Carbon Neutral Royalty Ltd. John has completed his B.A. in history and political science from Emory University and B.A. in Jurisprudence from Oxford University and has been granted a Juris Degree (J.D.) from the University of Virginia School of Law.

## Evaluating Financial Performance and Strength

The overall size of the Drone market has been estimated by multiple research firms with varying degrees of forecasts and growth rates. Given that the market is currently in a nascent stage, moving towards a high growth phase, our estimates may be subject to significant change as an when additional material information becomes available.

**Evolving Revenue Mix** - Draganfly Inc. has established a broad range of product and services portfolio catering to multiple industrial, commercial, and military needs. The company generated revenue of C\$4.36 million in 2020 and C\$7.05 million in 2021, representing a y-o-y growth of 216.10% and 61.66% for the respective years. The company recently ended the year 2022 reporting a revenue of C\$7.61 million. We believe that the company’s future revenue growth is a factor of improving market share and industry growth as whole. For the near term, the major catalysts driving the company’s sales would be materializing on its DDL contract and sales pipeline from Ukraine. For 2023 and 2024, we have modeled out the revenue at C\$12.04 million and C\$21.77 million. With expanded manufacturing facility coming online by the end of Q2 2023, the company will be in a much better position to meet the growing product demand and evolving needs of industry players. Furthermore, the recent expansion will allow the company to potentially overcome the production capacity constraints encountered in the recent past.

The company's strategy involves targeting specific segments of the market by offering specialized products that incorporate advanced technologies such as artificial intelligence and state-of-the-art sensors. This approach primarily focuses on attracting high-value customers in the commercial, military, and public safety sectors. The company is also striving to differentiate itself by providing services with a focus on data collection and analysis. In a highly fragmented and competitive product market, the larger services market is expected to provide an incremental growth push in the coming decade. During the year ended 2021 and 2022, the company generated 72.3% and 73.0% of its revenue from product (hardware + software) sales, while the rest was from services. With an emphasis on data collection and analysis, we believe the services segment can potentially grow at a much faster rate, with an estimated share of 45% of the total revenue by 2031.

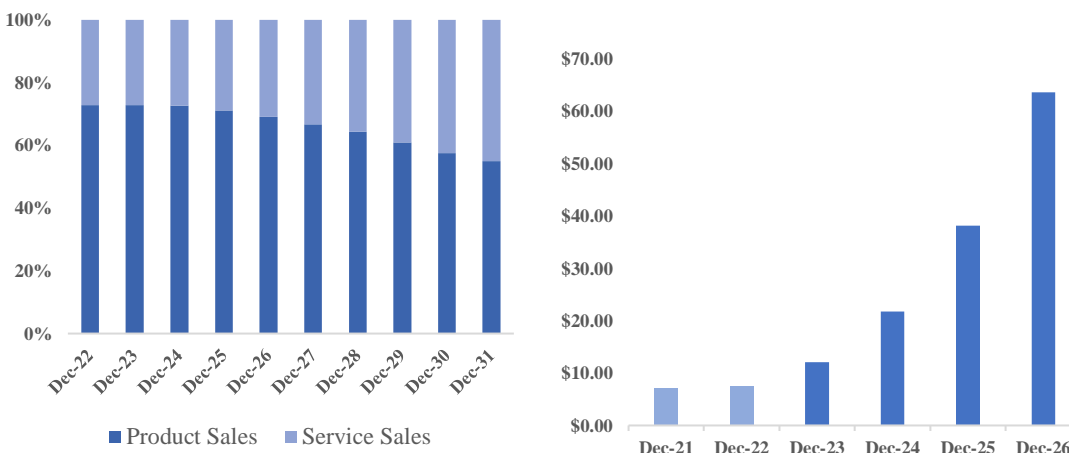


Exhibit 11: Revenue Growth and Revenue Break Out Source Source: Diamond Equity Research



**Margin Profile** - The company's normalized gross margins have remained volatile in the past trailing four quarters ranging from approximately 23% to 42%. The volatility observed has been the result of evolving product mix. The gross margins for 2020 and 2021 were 40.33% and 37.47%, respectively. During the same period, EBIT margins were (195)% and (273)% while for 2022 the company reported a normalized EBIT margins of (327)%. With an improving product mix towards the high-margin commercial and industrial market segments, as well as services revenue, we expect the gross margins could improve from current levels potentially reaching the levels of 50% by 2026. For 2023 and 2024, we have modelled a blended gross margin at 34.9% and 44.1%, respectively. Given the current split in revenue, we model the company's gross margins for product and services revenue at 30% and 60%, respectively, for 2021, increasing to 45% and 65% by 2026. Furthermore, approximately 60% of the company's operating expenses are accounted for by insurance, professional fees, as well as office and miscellaneous expenses, which largely remain fixed in nature, while the 34% of operating expenses comprise of semi-variable expenses such as wages and salaries and stock-based compensation. As the company scales, realizing the benefits of operating leverage, we model a significant improvement in operating margins, towards a potential path of sustainable profitability.

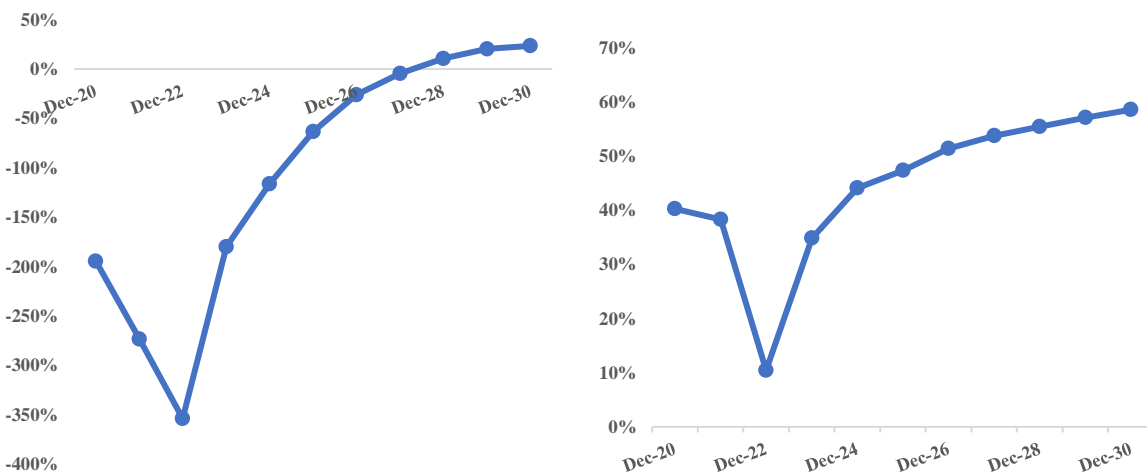


Exhibit 12: EBIT Margin (Left) and Gross Margins (Right) Source: Diamond Equity Research

**Balance Sheet Strength and Cash Burn** - As of December 2022, the company has reported cash and investments balance of C\$8.08 million and a total debt (inclusive of lease liability) balance of approximately C\$0.5 million. Additionally, the company recently concluded a cash raise of C\$9.94 million, after deducting the necessary expenses. In the past four quarters the average cash burn was C\$4.09 million. We have estimated cash burn for FY23 and FY24 at C\$20.17 million and C\$21.98 million. The operating cash burn is likely to peak in 2024, post which we expect significant reduction in cash burn. Furthermore, we believe that at current juncture, the company would be required to raise additional capital in the next 3-4 quarters to sustain its operations.

Year-end 31 Dec. (in C\$m)	2021A	2022A	2023E	2024E	2025E
<b>INCOME STATEMENT</b>					
Revenue	\$7.05	\$7.61	\$12.04	\$21.77	\$38.14
Gross Profit	\$2.64	\$0.79	\$4.20	\$9.61	\$18.07
EBITDA	(\$18.97)	(\$26.14)	(\$21.26)	(\$24.95)	(\$23.62)
Depreciation & Amortization	(\$0.31)	(\$0.77)	(\$0.42)	(\$0.39)	(\$0.51)
EBIT	(\$19.28)	(\$26.91)	(\$21.68)	(\$25.33)	(\$24.13)
Interest Income/Expense	\$0.01	\$0.04	\$0.01	\$0.02	\$0.01
Profit Before Tax (PBT)	(\$16.20)	(\$27.65)	(\$21.66)	(\$25.31)	(\$24.12)
Profit After Tax (PAT)	(\$16.20)	(\$27.65)	(\$21.66)	(\$25.31)	(\$24.12)
Basic Shares Outstanding (M)	27.79	33.56	43.62	47.99	57.58
EPS - basic	(\$0.58)	(\$0.82)	(\$0.50)	(\$0.53)	(\$0.42)
<b>BALANCE SHEET</b>					
Cash and cash equivalents	\$23.08	\$7.89	\$11.51	\$3.77	\$42.57
Other current assets	\$10.48	\$5.62	\$10.51	\$15.00	\$22.26
Total current assets	\$33.56	\$13.52	\$22.03	\$18.77	\$64.83
Non-current assets	\$8.55	\$1.12	\$1.06	\$1.44	\$2.18
<b>Total Assets</b>	<b>\$42.11</b>	<b>\$14.64</b>	<b>\$23.09</b>	<b>\$20.20</b>	<b>\$67.02</b>
Short-term borrowing	\$0.12	\$0.22	\$0.22	\$0.22	\$0.22
Other current liabilities	\$6.60	\$3.13	\$4.64	\$6.62	\$9.93
Total current liabilities	\$6.72	\$3.35	\$4.85	\$6.83	\$10.14
Long-term borrowing	\$0.47	\$0.25	\$0.25	\$0.25	\$0.25
Other non-current liabilities	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total liabilities	\$7.19	\$3.60	\$5.10	\$7.08	\$10.39
Total Equity	\$34.93	\$11.04	\$17.99	\$13.12	\$56.62
<b>Total Liabilities &amp; Equity</b>	<b>\$42.11</b>	<b>\$14.64</b>	<b>\$23.09</b>	<b>\$20.20</b>	<b>\$67.02</b>

Exhibit 13: Income Statement Snapshot. Source: Diamond Equity Research

## Valuation

We have valued Draganfly Inc., using DCF and Comparable Company Analysis as our preferred methodologies. We have assumed a weightage of 80% for our DCF approach and 20% for comparable company analysis approach. Within the DCF methodology, we have assumed a weighted average cost of capital (WACC) or discount rate of 15%, which we believe accounts for potential risks and uncertainties. Additionally, we have assumed a terminal growth rate of 2.5%, which accounts for an assumed long term inflation rate of 2.0% and a growth premium of 0.5%, given the fact that the industry itself is still in a nascent stage. Another major factor which can have drastic impact on our valuation is company's evolving operating margin profile and its eventual targeted path to profitability.

	Enterprise Value					
	\$157.61	LTGR				
		1.5%	2%	2.50%	3%	3.5%
2031 Target Operating Margin	35.00%	\$188.54	\$198.14	\$208.51	\$219.75	\$231.96
	32%	\$164.78	\$173.34	\$182.59	\$192.61	\$203.51
	30.00%	\$148.93	\$156.81	\$165.31	\$174.52	\$184.54
	28%	\$133.09	\$140.27	\$148.03	\$156.44	\$165.57
	25.00%	\$109.33	\$115.47	\$122.11	\$129.30	\$137.12

Exhibit 14: Sensitivity Analysis. Source: Diamond Equity Research

For our comparable company analysis, we valued the company using a median forward EV/Revenue multiple of our peer group. As the majority of the listed companies and our peer group companies are currently in a growth stage with negative operating margins, we believe a revenue multiple is appropriate. The median 2024 EV/Revenue multiple from the listed drone companies was 4.1x, while the average was 6.50x. We have assumed 4.0x revenue multiple in-line with our peer group to value Draganfly Inc. Combining both the approaches, we have derived a valuation of C\$3.75 per-share or C\$161.07 million contingent on successful execution by the company.

Product Segment	2025e Sales	As a % of Total Sales	2025e Gross Margins
Hardware + Software	\$26,420,718	69%	40.00%
Services	\$11,720,832	31%	64.00%

		Approaches (in C\$ mm)	Value (CAD)	Weight	Wtd. Value
<b>Calculated Equity Value (C\$ mm)</b>		DCF	\$175.17	80%	\$140.14
Enterprise Value	\$157.61	GPCM	\$104.65	20%	\$20.93
- Debt and Preferred Stock	\$0.47	GTM	-	0%	\$0.00
+ Cash and investments	\$18.02	<b>Wtd. Avg. Equity Value (CAD)</b>			<b>\$161.07</b>
Net Debt	\$17.56	<b>No of Diluted Shares Outstanding</b>			<b>42.98</b>
Equity Value	\$175.17	<b>Intrinsic Value Per Share (CAD)</b>			<b>\$3.75</b>

Company Name	Ticker	Price	Currency	Country	Mkt Cap.	EV/S	EV/EBITDA
AeroVironment Inc.	AVAV	90.2	USD	US	2,273	4.10x	20.70x
Kratos Defense & Security Sol. Inc.	KTOS	12.8	USD	US	1,691	1.80x	17.90x
Archer Aviation Inc.	ACHR	2.5	USD	US	626	11.80x	n.a.
EHang Holdings Limited	EH	9.6	USD	CN	532	21.80x	n.a.
Lilium N.V.	LILM	0.7	USD	DE	267	n.a.	n.a.
Vertical Aerospace Ltd.	EVTL	1.7	USD	GB	360	n.a.	n.a.
Parrot S.A.	PAOTF	4.5	USD	FR	141	n.a.	n.a.
ACSL Ltd.	AOMUF	12.0	USD	JP	136	4.10x	n.a.
Ondas Holdings Inc.	ONDS	1.1	USD	US	52	1.00x	n.a.
Red Cat Holdings Inc.	RCAT	1.0	USD	US	57	0.90x	n.a.
Drone Delivery Canada Corp.	TAKOF	0.3	USD	CA	69	n.a.	n.a.
AgEagle Aerial Systems Inc.	UAVS	0.4	USD	US	36	n.a.	n.a.
Nordic Unmanned ASA	NUMND	4.0	NOK	NO	176	n.a.	n.a.
<b>Median</b>						<b>4.10x</b>	<b>19.30x</b>
<b>Mean</b>						<b>6.50x</b>	<b>19.30x</b>

Exhibit 15: Valuation Snapshot (in millions). Source: Diamond Equity Research  
(Valuation multiples are based on 2024 figures) \*

## Risks Profile

- **Risks Related to Profitability:** The company has been consistently generating losses since its inception. There is also no assurance of earnings in upcoming quarters or periods. As the company expands, it will have higher operating expenses due to increased investments in R&D and marketing. Therefore, any delay or decrease in revenue generation could result in significant operating losses.
- **Risk of Dilution:** The company's articles allow for future issuances of common shares, and shareholders have no pre-emptive rights regarding future issuances of any securities. The company's directors have the discretion to decide if the issuance of common shares or other securities is necessary, including the price and terms of such issuances. Any potential future acquisitions may also result in further dilution of shareholder interests if common shares or other securities are issued.
- **Risk Associated with Failure to Address Uncertainties in Rapidly Evolving Markets:** The company sells Unmanned Aerial Vehicles (UAVs) in fast-changing markets, which are in the early stages of customer adoption. It's difficult to accurately forecast demand for the company's products and services.
- **Risk of Product Obsolescence:** The company competes in markets with fast-paced technological advancements, which means it needs to develop new products and improvements to remain relevant. Success in the future hinges on the company's ability to introduce new features and products that cater to the evolving needs of the market. Failure to allocate enough resources to develop new products or inability to do so in a timely manner may lead to losing market share and declining revenue.
- **Competitive Risks:** The company faces intense competition, and new competitors are expected to emerge worldwide. Competitors might also introduce more successful products or services and offer comparable offerings at lower prices.
- **Regulatory Risks:** The company's business heavily relies on operating remotely piloted aircraft systems (RPAS), which operate in an industry with constantly evolving regulations. Any changes to the policy may result in non-compliance with new regulations and impede the company's ability to obtain necessary regulatory approvals. Failure to secure such approvals or limitations placed on the use of small UAVs in response to privacy concerns may prevent the company from testing or operating its aircraft and expanding its sales, adversely affecting the company's business, prospects, financial conditions, and results of operations.

*This list of risk factors is not comprehensive. For a full list, please refer to Draganfly Inc.'s latest prospectus and/or annual filings.*

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