



DRAGANFLY INC. ENTERS INTO AGREEMENT TO ACQUIRE DRONELOGICS SYSTEMS INC.

Vancouver, British Columbia – January 16th, 2020, (**GLOBE NEWSWIRE**) - Draganfly Inc. (CSE: DFLY) (OTCQB: DFLYF) (FSE: 3U8) ("**Draganfly**" or the "**Company**"), an award-winning, industry-leading systems developer within the commercial Unmanned Aerial Vehicle ("**UAV**") and the Unmanned Vehicle Systems ("**UVS**") industry, is pleased to announce that it has entered into an arm's length definitive share purchase agreement dated January 15th, 2020 with the shareholders of Dronelogics Systems Inc. ("**Dronelogics**"), whereby Draganfly has agreed to acquire all of the shares of Dronelogics (the "**Transaction**") for cash and common shares of Draganfly ("**Draganfly Shares**").

Transaction Highlights

- **The Transaction continues to establish Draganfly as a leading, diversified drone organization.** Dronelogics has been growing steadily with revenues in excess of CAD\$3.0 million and expected 2019 year over year growth of 20.0%. Draganfly management believes the Transaction will generate combined pro forma revenue of between CAD\$6 to CAD\$7 million for the fiscal year 2020, representing an increase in Draganfly's revenue of between 23% and 43%.
- **Strategically Positioned to Leverage Draganfly's Brand:** Dronelogics is a complementary business to Draganfly and the acquisition of Dronelogics will expand the product offering of Draganfly in the integration and engineering segments. This will expand Draganfly's total addressable market and enhance its position as a leader in the UAV and UVS industry.
- **Expanded Customer Base.** Draganfly and Dronelogics have limited overlap in customer base representing an opportunity to cross sell the expanded product offerings and further customized solutions to existing clients.
- **Established History of Providing Drone Services.** Dronelogics has been in business for 10 years, working closely with Fortune 500 companies to provide insights into inventory metrics, asset management, volume-metric calculation and digitizing assets, among many other applications.
- **Enhanced Management Expertise.** The acquisition will add a team of 9 employees. Post-closing, Mr. Justin Hannewyk ("**Mr. Hannewyk**") will be President of the operating subsidiary and will also be appointed to Draganfly's board of directors. The Dronelogics employee base brings a wealth of industry experience and knowledge to Draganfly.

Cameron Chell, Chairman and CEO, stated, "We are excited to welcome the whole Dronelogics team as part of Draganfly. Dronelogics has established itself as a trusted drone service provider. Its business is highly complementary to our business and the combined entity will deliver an enhanced product and service offering to the combined client base. This transaction further establishes Draganfly as a leading, publicly traded drone company, and provides a strong platform for us to pursue continued consolidation in the industry. "

Material Terms of the Agreement with Dronelogics

- On closing of the Transaction (the “**Closing**”), the Company will pay the shareholders of Dronelogics (the “**Sellers**”) CAD\$2.0 million, which will consist of the following: (i) a cash payment of CAD\$500,000, subject to a working capital adjustment, and (ii) CAD\$1.5 million in value plus certain closing adjustments to be satisfied by the issuance Draganfly Shares at a deemed price of CAD\$0.50 per share.
- The Sellers will receive a nomination right to appoint one person to the board of directors of the Company for a period of two years from the Closing or as long as Mr. Hannewyk holds a senior executive position with the Company.
- The Draganfly Shares issued under the Transaction will be subject to resale restrictions in the form of pooling terms providing for release of these Draganfly Shares over a period of 24 months and a right to place in favour of Draganfly during the same 24-month period.
- Completion of the Transaction is subject to a number of closing conditions customary for a transaction of this nature, including the filing of required forms with the Canadian securities Exchange (the “**CSE**”).
- The two Sellers will enter into executive employment agreements with the Company.

The Transaction has been approved by the board of directors of Draganfly and Dronelogics. In connection with the Transaction, the Company will pay fees of \$160,000 to certain advisors; as to \$100,000 by way of 200,000 in Draganfly Shares at a deemed price of \$0.50 per share and as to \$60,000 in cash or Draganfly Shares at a deemed price of \$0.50 per share. At Closing, the Company will issue: certain additional Draganfly Shares to the Sellers, at a deemed price of CAD\$0.50 per Draganfly Share, in satisfaction of accrued management bonuses in connection with their services to Dronelogics; (ii) grant 445,000 incentive stock options to certain employees of Dronelogics pursuant to the Company's share compensation plan, exercisable at a price equal to closing price of the Draganfly Shares on the CSE on January 15, 2020. The options shall have a term of 10 years and vest in three equal tranches, on the first, second and third anniversaries of the date of grant, and (iii) award 375,000 restricted share units (the “**RSUs**”) to certain directors and officers of Dronelogics. RSUs were awarded to certain directors and officers of Dronelogics pursuant to the Company's share compensation plan. The RSUs shall vest in three equal tranches, on the first, second and third anniversaries of the date of award.

Advisors

Scotiabank is acting as Draganfly's financial advisor, and Gowling WLG (Canada) LLP is acting as Draganfly's legal advisor. Stikeman Elliott LLP is acting as Dronelogics legal advisor.

About Dronelogics

Dronelogics is a solutions integrator for custom robotics, hardware and software that provides a wide scope of services including sales, training, rentals, maintenance, flying and data processing services based in Vancouver, Canada. The wide variety of services, products and innovations that Dronelogics provides results in a unique one-stop-shop solution for their clients which aids in higher customer retention, diversified revenue streams, repeat business and protection against market volatility. Dronelogic's customer base comprises well over 10,000 independent names and the company enjoys high repeat business due to its expertise, unique focus on service and broad scope of offerings.

About Draganfly

Draganfly Inc. (CSE: DFLY; OTCQB: DFLYF; FSE: 3U8) is the creator of quality, cutting-edge, unmanned vehicle systems and software that revolutionizes the way people do business. Recognized as being at the forefront of technology for over 21 years, Draganfly is an award-winning, industry-leading manufacturer within the commercial UAV and UVS space, serving the public safety, agriculture, industrial inspections and mapping and surveying markets. Draganfly is a company driven by passion, ingenuity and the need to provide efficient solutions and first-class services to its customers around the world with the goal of saving time, money and lives.

For more information on Draganfly, please visit us at: www.draganfly.com. For additional investor information, visit www.thecse.com searching DFLY or visit <https://www.boerse-frankfurt.de/> searching 3U8.

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Forward-Looking Statements

This release contains certain “forward looking statements” and certain “forward-looking information” as defined under applicable Canadian securities laws. Forward-looking statements and information can generally be identified by the use of forward-looking terminology such as “may”, “will”, “believe” or similar terminology. Forward-looking statements and information include, but are not limited to, statements with respect to expected closing of the Transaction or the expected closing date of the Transaction, Transaction benefits, expected additional revenues, expected growth, results of operations, performance, industry trends and growth opportunities. Forward-looking statements and information are based on forecasts of future results, estimates of amounts not yet determinable and assumptions that, while believed by management to be reasonable, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Forward-looking statements and information are subject to various known and unknown risks and uncertainties, many of which are beyond the ability of the Company to control or predict, that may cause the Company’s actual results, performance or achievements to be materially different from those expressed or implied thereby, and are developed based on assumptions about such risks, uncertainties and other factors set out here in, including but not limited to: the risk that the Transaction may not be completed as expected or at all; the expected benefits of the Transaction and additional revenues may not materialize; the inherent risks involved in the general securities markets; uncertainties relating to the availability and costs of financing needed in the future; the inherent uncertainty of cost estimates and the potential for unexpected costs and expenses, currency fluctuations; regulatory restrictions, liability, competition, loss of key employees and other related risks and uncertainties. For more information on the risk, uncertainties and assumptions that could cause anticipated opportunities and actual results to differ materially, please refer to the public filings of Draganfly which are available at www.sedar.com. The Company undertakes no obligation to update forward-looking information except as required by applicable law. Such forward-looking information represents managements’ best judgment based on information currently available. No forward-looking statement can be guaranteed and actual future results may vary materially. Readers are advised not to place undue reliance on forward-looking statements or information.

This news release also contains future-oriented financial information and financial outlook information (collectively, “FOFI”) about the pro forma revenue of the resulting issuer which are subject to the same assumptions, risk factors, limitations and qualifications as set forth in the above paragraphs. FOFI contained in this news release was made as of the date of this news release and was provided for the purpose of providing further information about Draganfly’s anticipated future business operations. Draganfly disclaims any intention or

obligation to update or revise any FOFI contained in this press release, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. FOFI contained in this news release should not be used for purposes other than for which it is disclosed herein. Such future-oriented production information is provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that such outlook or information should not be used for purposes other than for which it is disclosed in this news release.

The CSE has not in any way passed upon the merits of the listing of the common shares of Draganfly and has neither approved nor disapproved the contents of this news release.