

FORM 51-102F3

MATERIAL CHANGE REPORT

Item 1 Name and Address of Company

Draganfly Inc. (“**Draganfly**” or the “**Company**”)
2108 St. George Avenue
Saskatoon, Saskatchewan S7M 0K7

Item 2 Date of Material Change

January 15, 2020

Item 3 News Release

News release dated January 16, 2020 was disseminated to the Canadian Securities Exchange and through various other approved public media and filed on SEDAR with applicable securities commissions.

Item 4 Summary of Material Change(s)

The Company entered into an arm’s length definitive share purchase agreement dated January 15, 2020 with the shareholders of Dronelogics Systems Inc. (“**Dronelogics**”), whereby Draganfly agreed to acquire all of the shares of Dronelogics (the “**Transaction**”) for cash and common shares of Draganfly (“**Draganfly Shares**”).

Item 5 Full Description of Material Change

5.1 Full Description of Material Change

The Company entered into an arm’s length definitive share purchase agreement dated January 15, 2020 with the shareholders of Dronelogics, whereby Draganfly agreed to the Transaction for cash and Draganfly Shares.

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.

On January 17, 2020 and as part of the Company's stated plan to execute on its strategic direction, Draganfly entered into a series of agreements (including a distribution agreement) with a leading manufacturer of unmanned aircraft systems used for surveillance and reconnaissance by the United States military.

5.2 Disclosure for Restructuring Transactions

Not applicable.

Item 6 Reliance on subsection 7.1(2) of National Instrument 51-102

Not applicable.

Item 7 Omitted Information

Not applicable.

Item 8 Executive Officer

Paul Sun, Chief Financial Officer & Corporate Secretary
Tel: 1.800.979.9794

Item 9 Date of Report

January 23, 2020